

PN 02: Income tax allowances, National Insurance contributions, Child and Working Tax Credit rates 2007-08 and other rates

2007-08 rates and allowances for Income Tax, National Insurance Contributions the Working and Child Tax Credits, Child Benefit/Guardian's Allowance, fuel duties, alcohol duties, vehicle excise duties and stamp duty land tax are set out below.

Income tax, capital gains tax, and inheritance tax

Income tax personal and age-related allowances

£ per year (unless stated)	2006-07	Change	2007-08
Personal allowance (age under 65)	£5,035	+£190	£5,225
Personal allowance (age 65-74)	£7,280	+£270	£7,550
Personal allowance (age 75 and over)	£7,420	+£270	£7,690
Married couple's allowance* (aged less than 75 and born before 6th April 1935)	£6,065	+£220	£6,285
Married couple's allowance* (age 75 and over)	£6,135	+£230	£6,365
Married couple's allowance* - minimum amount	£2,350	+£90	£2,440
Income limit for age-related allowances	£20,100	+£800	£20,900
Blind person's allowance	£1,660	+£70	£1,730
Capital gains tax annual exempt amount			

£ per year (unless stated)	2006-07	Change	2007-08
Individuals etc.	£8,800	+£400	£9,200
Most trustees	£4,400	+£200	£4,600
Inheritance tax threshold			
	2006-07	Change	2007-08
	£285,000	+£15,000	£300,000
Pension schemes allowances			

£ per year (unless stated)	2006-07	Change	2007-08
Annual Allowance	£215,000	+£10,000	£225,000
Lifetime Allowance	£1,500,000	+£100,000	£1,600,000

*Married couple's allowance is given at the rate of 10 per cent.

Income tax: taxable bands

£ per year	2006-07	2007-08
Starting rate: 10%*	£0-£2,150	£0-£2,230
Basic rate: 22%*	£2,151-£33,300	£2,231-£34,600
Higher rate: 40%*	Over £33,300	Over £34,600

* The rate of tax applicable to savings income in Section 1A ICTA 1988 remains at 20 per cent for income between the starting and basic rate limits. The rates applicable to dividends are 10 per cent for income up to the basic rate limit and 32.5 per cent above that. For future changes to the availability of the non-payable dividend tax credit please see below.

Corporation tax on profits

£ per year (unless stated)	2006-07	2007-08
£0-£300,000	19%	20%
£300,001 - £1,500,000	Marginal relief	Marginal relief
£1,500,001 or more	30%	30%

National insurance contributions

£ per year (unless stated)	2006-07	Change	2007-08
Lower earnings limit, primary Class 1	£84	+£3	£87
Upper earnings limit, primary Class 1	£645	+£25	£670
Primary threshold	£97	+£3	£100
Secondary threshold	£97	+£3	£100
Employees' primary Class 1 rate between primary threshold and upper earnings limit	11%	-	11%
Employees' primary Class 1 rate above upper earnings limit	1%	-	1%
Employees' contracted-out rebate - salary-related schemes	1.6%	-	1.6%

Employees' contracted-out rebate - money-purchase schemes	1.6%	-	1.6%
Married women's reduced rate between primary threshold and upper earnings limit	4.85%	-	4.85%
Married women's rate above upper earnings limit	1%	-	1%
Employers' secondary Class 1 rate above secondary threshold	12.8%	-	12.8%
Employers' contracted-out rebate, salary-related schemes	3.5%	+0.2%	3.7%
Employers' contracted-out rebate, money-purchase schemes	1%	+0.4%	1.4%
Class 2 rate (per week)	£2.10	+£0.10	£2.20
Class 2 small earnings exception	£4,465 per year	+£170	£4,635 per year
Special Class 2 rate for share fishermen (per week)	£2.75	+£0.10	£2.85
Special Class 2 rate for volunteer development workers	£4.20	+£0.15	£4.35
Class 3 rate (per week)	£7.55	+£0.25	£7.80
Class 4 lower profits limit	£5,035 per year	+£190	+£5,225 per year
Class 4 upper profits limit	£33,540 per year	+£1,300	£34,840 per year
Class 4 rate between lower profits limit and upper profits limit	8%	-	8%
Class 4 rate above upper profits limit	1%	-	1%

Working and Child Tax Credits rates

Working Tax Credit			
£ per year (unless stated)	2006-07	Change	2007-08
Basic element	£1,665	+£65	£1,730
Couple and lone parent element	£1,640	+£60	£1,700

30 hour element	£680	+£25	£705
Disabled worker element	£2,225	+£85	£2,310
Severe disability element	£945	+£35	£980
50+ Return to work payment (16-29 hours)	£1,140	+£45	£1,185
50+ Return to work payment (30+ hours)	£1,705	+£65	£1,770

Childcare element of the Working Tax Credit

£ per year (unless stated)	2006-07	Change	2007-08
Maximum eligible cost for one child	£175 per week	-	£175 per week
Maximum eligible cost for two or more children	£300 per week	-	£300 per week
Percentage of eligible costs covered	70%	+10%	80%

Child Tax Credit

£ per year (unless stated)	2006-07	Change	2007-08
Family element	£545	-	£545
Family element, baby addition	£545	-	£545
Child element	£1,765	+£80	£1,845
Disabled child element	£2,350	+£90	£2,440
Severely disabled child element	£945	+£35	£980

Income thresholds and withdrawal rates

£ per year (unless stated)	2006-07	Change	2007-08
First income threshold	£5,220	-	£5,220
First withdrawal rate (per cent)	37%	-	37%
Second income threshold	£50,000	-	£50,000
Second withdrawal rate (per cent)	6.67%	-	6.67%
First threshold for those entitled to Child Tax Credit only	£14,155	+£340	£14,495
Income disregard	£25,000	-	£25,000

Child Benefit and Guardian's Allowance rates from 10 April 2006

£ per year (unless stated)	2006-07	Change	2007-08
Eldest/Only Child	£17.45	+£0.65	£18.10
Other Children	£11.70	+£0.40	£12.10

Eldest/Only Child (Lone Parent Rate)	£17.55	ABOLISHED	ABOLISHED
Guardian's Allowance	£12.50	+£0.45	£12.95

Stamp taxes and duties

Rate	Transfers of land and buildings (consideration paid)		
	Residential in disadvantaged areas (Total value of consideration)	Residential outside disadvantaged areas (Total value of consideration)	Non-residential (Total value of consideration)
Zero	£0 - £150,000	£0 - £125,000	£0 - £150,000
1%	Over £150,000 - £250,000	Over £125,000 - £250,000	Over £150,000 - £250,000
3%	Over £250,000 - £500,000	Over £250,000 - £500,000	Over £250,000 - £500,000
4%	Over £500,000	Over £500,000	Over £500,000

New leases (lease duty)

Duty on the premium is the same as for transfers of land (except that special rules apply for premium where rent exceeds £600 annually). Duty on the rent is charged on the Net Present Value (NPV). A per cent rate applies to the amount of NPV in excess of the threshold.

Rate	Net Present Value of rent - residential Slice of NPV	Net Present Value of rent - non-residential Slice of NPV
Zero	£0 - £125,000	£0 - £150,000
1%	Over £125,000	Over £150,000

The rate of stamp duty/stamp duty reserve tax on the transfer of shares and securities is unchanged at 0.5 per cent for 2007-08.

Tobacco duty rates

From 6pm on 21 March 2007, tobacco duty rates will be:

Tobacco duty rates

Product	Duty	Effect of tax* on typical item (increase in pence)	Typical unit
Cigarettes	22 per cent of the retail price plus £108.65 per thousand cigarettes	11p	packet of 20
Cigars	£158.24 per kilogram	4p	packet of 5
Hand-rolling tobacco	£113.74 per kilogram	11p	25g

Other smoking tobacco and chewing tobacco £69.57 per kilogram 7p 25g of pipe tobacco

* Tax refers to duty plus VAT

Alcohol duty rates

From 26 March 2007, duties on alcohol will be:

Alcohol duty rates		
Product	Effect of tax* on typical item (increase in pence)	Typical unit
Beer	1p	pint of beer
Wine	1p	175 ml glass
Wine	5p	75cl bottle
Sparkling wine	7p	75cl bottle
Spirits	0p	70cl bottle
Spirits-based RTDs ready to drink	0p	275ml bottle
Cider	1p	litre
Sparkling cider	5p	75cl bottle

* Tax refers to duty plus VAT

Rate per litre of pure alcohol	
Product and basis of duty	Duty
Spirits	£19.56
Spirits-based RTDs ready to drink	£19.56
Wine and made-wine: exceeding 22% abv.	£19.56

Rate per hectolitre per cent of alcohol in the beer

Product and basis of duty	Duty
Beer	£13.71

Rate per hectolitre of product

Product and basis of duty	Duty
Still cider and perry: exceeding 1.2% - not exceeding 7.5% abv.	£26.48
Still cider and perry: exceeding 7.5% - less than 8.5% abv.	£39.73

Sparkling cider and perry: exceeding 1.2% - not exceeding 5.5% abv.	£26.48
Sparkling cider and perry: exceeding 5.5% - less than 8.5% abv.	£172.33
Wine and made-wine: exceeding 1.2% - not exceeding 4% abv.	£54.85
Wine and made-wine: exceeding 4% - not exceeding 5.5% abv.	£75.42
Still wine and made-wine: exceeding 5.5% - not exceeding 15% abv.	£177.99
Wine and made-wine: exceeding 15% - not exceeding 22% abv.	£237.31
Sparkling wine and made- wine: exceeding 5.5% - less than 8.5% abv.	£172.33
Sparkling wine and made- wine: 8.5% and above - not exceeding 15% abv.	£227.99

Fuel duties

All fuel duty rate changes will take effect from 1 October 2007.

Pence per litre (unless stated)	Old duty rate	Change	New duty rate
Ultra-low sulphur petrol/diesel	48.35p	+2p	50.35p
Sulphur-free petrol/diesel	48.35p	+ 2p	50.35p
Biodiesel	28.35p	+2p	30.35p
Bioethanol	28.35p	+ 2p	30.35p
Liquefied petroleum gas used as road fuel	12.21p per kg	+ 4.28p per kg	16.49p per kg
Natural gas used as road fuel	10.81 per kg	+ 2.89p per kg	13.70p per kg
Rebated gas oil (red diesel)	7.69p	+ 2p	9.69p
Fuel Oil	7.29p	+ 2p	9.29p

Vehicle excise duty for Private and Light Goods Vehicles Pre-graduated VED (registered before March 2001)

£ per year	Change	New rate
1549cc and below	+£5	£115
above 1549cc	+£5	£180

Graduated VED for Private Vehicles (registered from March 2001)

£ per year VED band	CO2 (g/km)	Change	Alternative Fuel cars	Petrol cars	Diesel cars
A	100 and below	-	£0	£0	£0
B	101 to 120	-£15 / -£5 / -£15	£15	£35	£35
C	121 to 150	£5 / £15 / £5	£95	£115	£115
D	151 to 165	£5 / £15 / £5	£120	£140	£140
E	166 to 185	£5 / £15 / £5	£145	£165	£165
F	186 to 225	£10 / £15 / £10	£190	£205	£205
G*	226 and above	£85 / £90 / £85	£285	£300	£300

* for new cars registered from 23 March 2006

Vehicle excise duty for Light Goods Vehicles (registered from March 2001)

£ per year	Change	New rate
Euro IV incentive rate*	+£5	£115
Standard rate	+£5	£175

* for Euro IV compliant vans registered between 1 March 2003 and 31 December 2006

Vehicle excise duty for motorcycles

£ per year	Change	New rate
150cc and below	-	£15
151-400cc	+£1	£32
401-600cc	+£1	£47
above 600cc	+£2	£64

Vehicle excise duty for motorised tricycles

£ per year	Change	New rate
150cc and below	-	£15
above 600cc	+£2	£64

Changes to VED rates will take effect from 22 March 2007.

Details

Further details of changes in 2007-08 are set out below.

Income tax rates and allowances

All income tax allowances will be increased in line with inflation. The personal allowance will increase to £5,225.

The age-related personal allowances will rise to £7,550 for people aged between 65 and 74 and to £7,690 for those aged 75 and over. This will mean that in 2007-08 no one aged 65 or over need pay tax on an income of up to £145 a week. Around half of all pensioners pay no tax on their income.

National insurance contributions

National insurance contribution (NIC) rates and thresholds for 2007-08 were announced in the 2006 Pre-Budget Report. The starting point for employers', employees' and self-employed NICs in 2007-08 will increase in line with inflation to £100 per week. NICs are not paid on earnings or profits below this amount. The upper earnings and profits limits for NICs will increase from April 2007 in line with inflation from £645 to £670 per week. For the self-employed, the rate of Class 2 contributions will increase to £2.20 per week.

Capital gains tax

The capital gains tax (CGT) annual exempt amount is increased in line with statutory indexation to £9,200 for the tax year 2007-08 for individuals, personal representatives of deceased persons and trustees of certain settlements for the disabled. The annual exempt amount for most other trustees is increased to £4,600.

Every husband, wife, civil partner and child has his or her own £9,200 annual exempt amount.

The amount chargeable to CGT is added to the individual's income liable to income tax and treated as the top part of that total. For 2007-2008, CGT up to the starting rate limit will be charged at 10 per cent, between the starting rate and basic rate limits at 20 per cent, and above the basic rate limit at 40 per cent.

Non-payable dividend tax credit

Budget 2007 announces that the Government will simplify the system of taxation for individuals who own foreign shares.

There is currently a one ninth non-payable dividend tax credit available for UK individuals receiving dividends from UK resident companies. This credit will, from April 2008, be extended to dividends from non-UK resident companies, subject to certain conditions. A person will qualify for the non-payable dividend tax credit if they have less than a 10 per cent shareholding in the distributing non-UK resident company and in total they receive less than £5,000 per year of dividends from non-UK resident companies.

Higher rate taxpayers, who are liable to tax at 32.5 per cent, will in practice only owe 25 per cent (of the net dividend) because part of the tax liability will be covered by the tax credit. Lower and basic rate taxpayers who are liable to tax at 10 per cent, will in practice not pay any tax on dividends from non-UK companies because the tax liability will be entirely covered by the tax credit.

The Government is also considering whether it is possible, without creating scope for abuse, to deliver a more general extension of the non-payable tax credit for the small minority of individuals in receipt of dividends from non-UK resident companies who do not meet the conditions outlined above.

Inheritance tax

As announced in Budgets 2005 and 2006, the inheritance tax nil-rate band allowance will be increased by more than statutory indexation to £300,000 for the tax year 2007-08, £312,000 for 2008-09 and

£325,000 for 2009-10. The value of estates over and above the nil-rate band is taxed at 40 per cent. The estimated number of taxpaying estates in 2007-08 will be about 35,000 - this is around 6 in 100 deaths.

To continue to provide a fair and targeted system, with certainty for families, the Government can now announce that it will increase the nil-rate band allowance to £350,000 in 2010-11.

Corporation tax

Budget announces that in 2007-08 the Small Companies rate will increase from 19 per cent to 20 per cent. All bands and other rates remain unchanged in 2007-08.

Child and Working Tax Credits rates and Child Benefit

Child Benefit is raised in line with inflation.

The child element of Child Tax Credit (CTC) increases in line with average earnings. The disabled child element and severely disabled elements rise with inflation. The family element (normal and baby addition) remains frozen at £545 per year. The income threshold for CTC only rises to £14,495 per year. The income threshold for CTC family element only remains at £50,000 per year.

The maximum eligible childcare costs remains at £175 for one child and £300 for two or more children. The percentage of eligible childcare costs remains at 80 per cent.

The disregard in Tax Credits for increases in income between one tax year and the next remains at £25,000.

Stamp taxes and duty

The rates and thresholds for stamp duty land tax (SDLT) remain unchanged. For residential land and property, the rates are 0 per cent for transactions in consideration of £125,000 or less, 1 per cent for consideration over £125,000 to £250,000, 3 per cent for consideration over £250,000 to £500,000 and 4 per cent on consideration over £500,000. The 0 per cent band for residential transfers in designated disadvantaged areas extends to £150,000. For non-residential land and property, the rates are 0 per cent for transactions in consideration of £150,000 or less, 1 per cent for consideration over £150,000 to £250,000, and thereafter the same as for residential land and property.

For new leases, the rates applicable in respect of the premium are the same as for transfers of land and buildings (except that special rules apply where the rent exceeds £600 annually). For the rental element of new leases, the charge is based on the Net Present Value (NPV), which is the total of the discounted annual rental payments. The NPV is charged at 1 per cent on the excess over £125,000 for residential land and property and 1 per cent on the excess over £150,000 for non-residential land and property.

Tobacco duties

From 6pm on 21 March 2007, tobacco duty rates will rise in line with inflation, to maintain the real price of tobacco.

Alcohol duty

Duty on beer, still and sparkling wine, and cider will increase in line with inflation from 26 March 2007. Spirits duty is frozen.

Fuel duty

Main fuel duty rates will increase by 2 pence per litre from 1 October 2007. Rebated oils rates will also increase by 2 pence per litre from 1 October, to maintain the cash differential with main rates. Changes to rates for biofuels, Compressed Natural Gas and Liquefied Petroleum Gas in 2007-08 will be made in line with previous Budget commitments.

Vehicle excise duty (VED)

All car VED rates for petrol will be aligned up to the level for diesel. The graduated VED rate for band A will remain frozen at £0. Band B will be reduced to £35. The rates for bands C-E will rise by £5. Band F will rise by £10. Band G will be raised to £300.

VED rates for all cars registered before 2001 and all light goods vehicles will rise by £5.

The rates for motorbikes in the lower band (150cc and below) will be frozen, with other bands increasing by £1, except the rate for above 600cc which will increase by £2.

The lower VED rate for motorized tricycles will be frozen, with the higher rate increased by £2.

VED rates for Heavy Goods Vehicles (HGV), Special Types Vehicles, Combined Transport Vehicles and all vehicle categories that are linked to the basic goods rate will be frozen.

Changes to this year's VED rates will take effect from 22 March 2007.