

the future

ACCOUNTING AND TAX UPDATES

March 2011

Budget edition



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BUDGET SUMMARY 2011

OVERVIEW

The Budget Report was delivered by the Chancellor to the House of Commons today.

The chancellor opened stating that the measures he would announce would be "fiscally neutral across the period", neither raising tax nor offering giveaways.

The chancellor announced the average quarterly growth will be higher than forecast, but the annual forecast will be revised down to 1.7% from 2.1%

Going through the new forecasts from the Office for Budget Responsibility (OBR), he stated growth is predicted to be 1.7% for 2011, 2.5% next year, 2.9% in 2013, 2.9% in 2014 and 2.8% in 2015.

The chancellor went on to say inflation is expected to be between 4% and 5% this year - dropping to 2.5% next year and 2% in two years' time .

The borrowing forecast is set to fall from £146bn this year, £2.5bn lower than anticipated. Borrowing is set to fall to £122bn next year. Dropping to £29bn by 2015/16.

The chancellor says the government will consult on **merging National Insurance and Income Tax**. The goal, he says, is to simplify them, not increase taxes. He stated that it will make the tax system "fit for the modern age".

National insurance was established in 1911 to fund pensions, other welfare payments and later the NHS. But this "contributory principle", the link between some benefits and NI payments, has weakened over the years. However, critics have already responded by saying that the political difficulty with it is that it could be perceived as a tax increase. For example, it could take the basic rate from 20p to 32p and top rate from 40p to 52p in the pound. The Government will consult this year on the options, stages and timing of reform. It will maintain the contributory principle and will reflect this in any changes it brings forward. In addition, the **Government will not extend NICs** to individuals above State Pension Age or to other forms of income such as pensions, savings and dividends.

Income Tax relief on the Enterprise Investment Scheme will increase from 20% to 30% in April 2011.

The top 50p tax rate is regarded as a "temporary measure" but now is not the time to remove it, stated the chancellor, when the less well-off are under pressure. However, the chancellor says he has asked customs officials to look into how much it is raising.

The chancellor confirms a rise in the personal tax allowance, which had been widely trailed, and says 1.1m lower paid people have now been taken out of income tax altogether. And he says no-one else will be pulled into the higher rate tax bracket as a result of the Budget. The personal allowance will rise from £6,475 in 2010/2011 to £7,475 in 2011/12 and then by a further £630 to **£8,015 in April 2012**.

However the **basic rate tax band falls to £35,000 for 2011/12 from £37,400 in 2010/11**.

There are no rises in personal tax but the planned rises in national insurance will go ahead. **Employee's contributions for 2011/12 will rise to 12% from 11% and Employers contributions to 13.8% to 12.8%**.

The HMRC advisory fuel rate of 40p per mile has not been increased since 2002 even though the cost of fuel has increased. The chancellor is raising the **advisory fuel rate to 45p per mile**.

From April 2011, the weekly amount that parents joining an employer-supported childcare scheme (child care vouchers) will be able to claim exempt of income tax and disregarded of NICs will remain at £55 for basic rate taxpayers, but will be reduced to £28 and £22 per week for higher and additional rate taxpayers respectively. All current users will continue to enjoy the same exemption and disregards beyond April 2011.

The chancellor stated that the Gift Aid changes are the "most radical reforms to charitable giving" for a long time and it's a "big help for the Big Society". It was also announced that a 10% discount on inheritance tax would be given where 10% of the estate is left to charity. The Gift Aid benefit limit will also rise from £500 to £2,500 from April 2011 to enable charities to give 'thank you' gifts, to recognise the generosity of significant donors.

Tax avoidance is the next subject for the chancellor. He says three forms of stamp duty land tax avoidance will be shut down, among other measures which he says will raise £1bn a year.

It was announced a new stamp duty rate of 5% will be charged on residential property purchases of more than £1m.

The Government commits to making clear improvements in the way IR35 is administered. The Government has decided to retain IR35 as abolition would put substantial revenue at risk.

Corporation Tax will be cut by 2%, more than the 1% previously announced. It will be the lowest in the G7. The chancellor also stated that he will adjust the bank levy to ensure it's not a net gain for banks.

Effective from 6 April 2011, the lifetime limit on capital gains qualifying for **Entrepreneurs' Relief** (where eligible gains are taxed at a 10 per cent rate of Capital Gains Tax) will be doubled to £10 million. This will encourage serial entrepreneurs who want to expand their business and reinvest gains, helping to make the UK a more attractive location for entrepreneurs.

From 1 April 2011, the VAT registration threshold will be increased from £70,000 to £73,000 and the deregistration threshold from £68,000 to £71,000.

The chancellor is signalling further rises in the state pension age and more costly public service pensions. There is also a long term aim for £140 a week flat-rate state pension; this will not apply to current pensioners.

The fuel duty will be cut by 1p a litre from 6pm. The fuel duty was due to go up by 1p a litre above inflation next week, but the chancellor said a government has to "listen and respond" when oil prices rise. While revenues go up when oil price rises, other tax intake falls, he says. The chancellor dismissed Labours proposal to cut the VAT rise on fuel. The chancellor stated that a "fair fuel stabiliser" will be introduced from Thursday, which will raise an extra £2bn. The money will be used to delay the duty rise until next year. The new Fair Fuel Stabiliser will be funded by increasing the supplementary charge on North Sea oil and gas production from 20% to 32% from Thursday. The planned 4p per litre rise due in April will be delayed until 2012. The annual fuel duty escalator will be scrapped until 2015; however the Vat on fuel will not be reduced.

There are to be no additional changes to alcohol duty rates. Tobacco duty rates will increase by 2% above inflation.

The chancellor announced that council tax is to be frozen or reduced this year in every English council.

The government has pledged £100m for repairing potholes in England and £200m for regional railways.

Good news on holidays, the rise in passenger duty is to be frozen this year, however for the first time private jet users are to pay passenger duty for the first time.

SUMMARY

The main changes announced by the Chancellor include;

- **Personal Tax, Child Benefit, Tax Credit and National Insurance changes**
 - The personal allowance will rise from £6,475 in 2010/2011 to £7,475 in 2011/12 and then by a further £630 to £8,015 in April 2012.
 - The basic rate tax band falls to £35,000 for 2011/12 from £37,400 in 2010/11
 - The basic Personal allowance for individuals with income over £100,000 to be reduced from April 2010. From the 2010-11 tax year the Personal Allowance reduces where the income is above £100,000 - by £1 for every £2 of income above the £100,000 limit. This reduction applies irrespective of age.
 - The new tax rate of 50% on income over £150,000 from April 2010 is set to stay for the foreseeable future.
 - From 2008-09 there is a 10 per cent starting rate for savings income only. If your non-savings income is above this limit then the 10 per cent starting rate for savings will not apply.
 - The rates available for dividends for the 2010-11 and 2011-12 tax years are the 10 per cent ordinary rate and the 32.5 per cent dividend upper rate. For the 2010-11 tax year; as well as these rates there is a new dividend additional rate of 42.5 per cent.
 - Employee's contributions for 2011/12 will rise to 12% from 11% and Employers contributions to 13.8% to 12.8%.
 - **Financial securities for PAYE and NICs** - Following consultation, HMRC will be able from April 2012 to require a security from employers where there is a serious risk that tax due under PAYE or Class 1 NICs will go unpaid.
- **Pensioners**
 - The age related personal allowance will rise from £9,490 in 2010/2011 to £9,940 in 2011/12 for 65-74 year olds and from £9,640 in 2010/2011 to £10,090 in 2011/12 for over 75 year olds. The income limit for age related allowances rises from £22,900 in 2010/2011 to £24,000 in 2011/12.
 - The mandatory retirement age may be scrapped, while the retirement age may rise.
- **Tax credits**
 - At present, once claimants' income reaches a certain threshold; their tax credits are withdrawn by 39p for every pound that their income exceeds that threshold. The thresholds are £6,420 a year for those receiving both working tax credit and child tax credit and £16,190 for those receiving only child tax credit.
 - From April 2011, this "taper" will increase to 41p in the pound
 - The family element, currently guaranteed at £545 if annual income is £50,000 or less, will start to reduce by 41p for every £1 when income reaches £40,000.
 - At present, if you have a sudden rise in income of up to £25,000 as compared to your previous year's income - for example by going from part-time work to full-time work - then the current year's tax credit claim is generally unaffected. This is known as the income disregard. This prevents some people getting a retrospective bill to repay overpayments.
 - From April, this earnings disregard threshold will be reduced from £25,000 to £10,000.
 - Balancing these downward changes in the June Budget was the announcement that payments made for each child - the child element of child tax credit - will be increased by £150 above indexation from April 2011. It will then rise by a further £60 from April 2012.
 - Recently Chancellor George Osborne announced further above-indexation increases to the child element of £30 from April 2011 and £50 from April 2012 - in total, £180 above indexation next year, and another £110 the year after.
- **Childcare**
 - Currently, families who qualify for help with childcare costs can get up to 80% of their childcare costs met if they use registered or approved childcare. But from April 2011, eligible families will only be able to claim up to 70% of their eligible childcare costs.

- **Tax free ISA**

- The annual Individual Savings Account (Isa) limit will rise from £10,200 to £10,680 or £5,340 for a cash-only Isa. Half, or all, of the Isa total can be saved in stocks and shares.

- **Excise Duty Changes**

- The fuel duty will be cut by 1p a litre from 6pm 23/03/11
- There are to be no additional changes to alcohol duty rates
- Tobacco duty rates will increase by 2% above inflation

- **Inheritance tax (IHT) and Capital Gains Tax (CGT)**

- The IHT threshold is held for the next four years at the current rate of £325,000 and at £650,000 for married couples and civil partners in 2010-11.
- There will be no increase in the rate of Capital Gains Tax in the next tax year; it will remain at 18% for lower rate tax payers and 28% for higher rate tax payers.
- The current annual exemption for Capital Gains tax is £10,100 before Capital Gains Tax has to be paid; this will rise to £10,600 from 6 April 2011.
- A new stamp duty rate of 5% will be charged on residential property purchases of more than £1m.

- **Corporation Tax Changes**

- Corporation tax will decrease from 21 per cent to 20 per cent for companies with profits under £300k, the small profits rate.
- The main rate of corporation tax from April 2011 will be reduced from 28 per cent to 26 per cent and, by 2014; it will reach 23 per cent for companies with profits over £300k.
- Associated companies - The Government confirmed in the June Budget 2010 that it will proceed with the reform of the associated company rules for the small profits rate. From 1 April 2011 the rules will be simplified to ensure that companies can only be associated, through an attribution of rights between connected individuals, when substantial commercial interdependence exists between the companies concerned.
- **Time to pay** - HMRC will continue to offer time to pay agreements to viable businesses which are experiencing genuine but short term difficulties in paying their tax

- **Annual Investment Allowance (AIA)**

- The 100% Annual Investment Allowance (AIA) for first £50,000 of expenditure has been reduced to £25,000 from 6 April 2012. The Annual Investment Allowance (AIA) allows businesses, regardless of size, to reduce their taxable profits by the full amount of their annual capital expenditure on most plant and machinery (apart from cars), up to a maximum amount of £25,000 each year.
- The written down allowance will be reduced to 18% from 6 April 2012.

- **Capital allowances on motor cars**

- From 1 April 2008 cars with up to 110 g/km of CO2 emissions attract a 100% allowance. That means that if you buy a car with to 110 g/km of CO2 emissions for £20,000 the whole £20,000 will be offset against profits and reduce the companies corporation tax bill by £4,200 (£20,000 x 21% Corporation tax). The scheme has been extended to 31st March 2013.
- From 2009-10 the annual allowances are dependent on the CO2 emissions of the car:
 - for cars with CO2 emissions between 110 and 160 g/km the annual allowance is 20%
 - for cars with CO2 emissions over 160 g/km the annual allowance is 10%, calculated in a special pool.

- **Vat**

- From 1 April 2011, the VAT registration threshold will be increased from £70,000 to £73,000 and the deregistration threshold from £68,000 to £71,000.

- **Entrepreneurs' relief**

- Entrepreneurs' are to receive an increased threshold of £10m on which they will pay just 10% capital gains tax, instead of the main rate of 18%/28%. The relief limits are a lifetime limit per individual. The relief only applies to certain kinds of assets, though there were no changes in the chancellor's announcement.

- **Other transport taxes**

- Approved Mileage Allowance Payments (AMAPs) rates from 2011-12 - From 6 April 2011, the AMAPs rates will rise to 45 pence per mile for the first 10,000 miles and 25 pence per mile thereafter. In addition to claiming AMAPs rates, an allowance for passenger payments currently in place for business employees, at 5 pence per passenger per mile, will be extended to volunteers.
- Company car tax rate 2013-14 - From April 2013, the appropriate percentages for all vehicles with carbon dioxide emissions between 95g and 220g per kilometre will be increased by 1 percentage point. This results in a freeze in rates for cars emitting less than 95g per kilometre.
- Fuel benefit charge 2011-12 - From 6 April 2011, the fuel benefit charge multiplier used to calculate the tax payable on free fuel for company cars will increase by indexation only from £18,000 to £18,800.
- Van fuel benefit charge 2011-12 and van benefit charge 2011-12 - The Government announces a freeze in the level of van fuel benefit charge at £550 for 2011-12. The van benefit charge will also be frozen at £3,000 in 2011-12.

Personal matters

Personal taxation

Income Tax Allowances table

Income Tax allowances	2009-10	2010-11	2011-12
Personal Allowance (1)	£6,475	£6,475	£7,475
Income limit for Personal Allowance	Not applicable	£100,000	£100,000
Personal Allowance for people aged 65-74 (1)(2)	£9,490	£9,490	£9,940
Personal Allowance for people aged 75 and over (1)(2)	£9,640	£9,640	£10,090
Married Couple's Allowance (born before 6th April 1935 but aged under 75) (2)(3)(4)	Not applicable	Not applicable	Not applicable
Married Couple's Allowance (born before 6th April 1935 and aged 75 and over) (2) (3)	£6,965	£6,965	£7,295
Income limit for age-related allowances	£22,900	£22,900	£24,000
Minimum amount of Married Couple's Allowance	£2,670	£2,670	£2,800
Blind Person's Allowance	£1,890	£1,890	£1,980

1. From the 2010-11 tax year the Personal Allowance reduces where the income is above £100,000 - by £1 for every £2 of income above the £100,000 limit. This reduction applies irrespective of age.
2. These allowances reduce where the income is above the income limit for age-related allowances by £1 for every £2 of income above the limit. For the 2009-10 they will never be less than the basic Personal Allowance or minimum amount of Married Couple's Allowance. However, from the 2010-11 tax year the Personal Allowance for people aged 65 to 74 and 75 and over can be reduced below the basic Personal Allowance where the income is above £100,000.
3. Tax relief for the Married Couple's Allowance is given at the rate of 10 per cent.
4. In the 2009-10 tax year all Married Couple's Allowance claimants in this category became 75 at some point during the year and therefore entitled to the higher amount of the allowance - for those aged 75 and over.

Rate	2009-10	2010-11	2011-12
Starting rate for savings: 10%*	£0-£2,440	£0-£2,440	£0- £2,560
Basic rate: 20%	£0-£37,400	£0-£37,400	£0- £35,000
Higher rate: 40%	Over £37,400	£37,401- £150,000	£35,001- £150,000
Additional rate: 50%	Not applicable	Over £150,000	Over £150,000

* From 2008-09 there is a 10 per cent starting rate for savings income only. If your non-savings income is above this limit then the 10 per cent starting rate for savings will not apply.

The rates available for dividends for the 2009-10 tax year are the 10 per cent ordinary rate and the 32.5 per cent dividend upper rate. From the 2010-11 tax year, as well as these rates there is a new dividend additional rate of 42.5 per cent.

National insurance

All changes are effective from 6 April 2011.

Class 1 - employed (not contracted out)	Employer	Employee
Payable on weekly earnings of £139.01 - £817	13.80%	12%
Over £817	13.80%	2%
Men aged 65 and over, and women aged 60 and over	as above	Nil
Employees' contracted-out rebate		1.6%
Class 2 - flat rate, self employed		£2.50 per week
Excepted if earnings less than		£5,315 per annum
Class 3 - voluntary		£12.60 per week
Class 4 - self employed, on profits		
£7,255 - £42,475		9%
Excess over £42,475		2%

Pension schemes - the lifetime allowance and annual contribution allowance

There is no limit on the amount that an individual can contribute to a registered pension scheme. If you are a UK resident aged under 75 you may receive tax relief on your contributions to a registered pension scheme. Tax relief is limited to relief on contributions up to the higher of 100% of your UK taxable earnings, and £3,600. Any amount of contributions paid over the annual allowance will be liable to the annual allowance charge.

As of 6 April 2011:

- the lifetime allowance available to pension scheme members who take pension and lump sum benefits will reduce from £1.8 million in 2010/11 to £1.5m in 2011/12; and
- From 2011-12 onwards, the annual allowance for tax relief on pension savings for individuals will be reduced from the current level of £255,000 to £50,000. In some circumstances, pensions savings made between 14 October and 5 April 2011 may also be affected.

Capital gains tax and Inheritance tax

Capital gains tax

Each tax year you have an annual tax-free allowance - known as the 'Annual Exempt Amount'. You only pay tax on total net gains above this amount, using the Capital Gains Tax rate for that tax year. Nearly everyone who lives in the UK will get the Annual Exempt Amount. This allows you to receive some normally taxable gains 'tax-free'. The current annual exemption for Capital Gains tax is £10,100 before Capital Gains Tax has to be paid, this will rise to £10,600 from 6 April 2011.

For gains on or before 22 June 2010, Capital Gains Tax is charged at a flat rate of 18 per cent.

- The following Capital Gains Tax rates apply to gains after this date:
- 18 per cent and 28 per cent tax rates for individuals (the tax rate you use depends on the total amount of your taxable income, so you need to work this out first)
- 28 per cent for trustees or for personal representatives of someone who has died
- 10 per cent for gains qualifying for Entrepreneurs' Relief

N.B. Gains on the disposal of an individual's principle private residence is still exempt.

Inheritance tax

Rates	2011-12 (£)	2010-11 (£)
0%	Up to £325,000	Up to £325,000
40% (death rate)	Over £325,000	Over £325,000
20% (lifetime rate)	Over £325,000	Over £325,000

Main Exemptions

	2011-12 (£)	2010-11 (£)
Gifts to UK domiciled spouse	Unlimited	Unlimited
Annual gifts	£3,000	£3,000
Small gifts to different individuals	£250	£250
Gifts on marriage - by parent	£5,000	£5,000
Gifts on marriage - by remote ancestor	£2,500	£2,500
Gifts on marriage - by other person	£1,000	£1,000

Minimum wage

An employer must pay their workers a minimum amount as defined by law. This is called the National Minimum wage.

There are three levels of minimum wage, and the rates from 1st October 2010 are:

- £5.93 per hour for workers aged 22 years and older (£6.00 estimated from 1st October 2011)
- A development rate of £4.92 per hour for
 - workers aged 18 - 21 years inclusive
 - workers aged 22 years and above, starting a new job with a new employer and doing accredited training*
- £3.64 per hour which applies to all workers under the age of 18 who are no longer of compulsory school age**.

*Accredited training is a course approved by the UK Government to obtain a vocational qualification.

**Compulsory School age

Working and Child Tax Credits rates

- Tax credits
 - At present, once claimants' income reaches a certain threshold; their tax credits are withdrawn by 39p for every pound that their income exceeds that threshold. The thresholds are £6,420 a year for those receiving both working tax credit and child tax credit and £16,190 for those receiving only child tax credit.
 - From April 2011, this "taper" will increase to 41p in the pound
 - The family element, currently guaranteed at £545 if annual income is £50,000 or less, will start to reduce by 41p for every £1 when income reaches £40,000.
 - At present, if you have a sudden rise in income of up to £25,000 as compared to your previous year's income - for example by going from part-time work to full-time work - then the current year's tax credit claim is generally unaffected. This is known as the income disregard. This prevents some people getting a retrospective bill to repay overpayments.
 - From April, this earnings disregard threshold will be reduced from £25,000 to £10,000.

- Balancing these downward changes in the June Budget was the announcement that payments made for each child - the child element of child tax credit - will be increased by £150 above indexation from April 2011. It will then rise by a further £60 from April 2012.
- Recently Chancellor George Osborne announced further above-indexation increases to the child element of £30 from April 2011 and £50 from April 2012 - in total, £180 above indexation next year, and another £110 the year after.
- Childcare
- Currently, families who qualify for help with childcare costs can get up to 80% of their childcare costs met if they use registered or approved childcare. But from April 2011, eligible families will only be able to claim up to 70% of their eligible childcare costs.

Business matters

Corporation tax

Small companies

- Corporation tax will decrease from 21 per cent to 20 per cent for companies with profits under £300k, the small profits rate.
- The main rate of corporation tax from April 2011 will be reduced from 28 per cent to 26 per cent and, by 2014; it will reach 23 per cent for companies with profits over £300k.
- In order to help businesses that are currently facing tough trading times, there will be a temporary extension of the period against which trading losses can be carried back. Currently active businesses can carry losses back against profits for the preceding year and this will continue without limit; however for one year businesses are able to carry back a further £50,000 (maximum) of trading losses against the profits of the two previous years.

Capital allowances

- To continue to encourage investment by small businesses, the rate of first-year capital (FYA) allowances for small businesses spending on most plant and machinery will be 40% to 2010/11. The increased allowance will apply to spending incurred on or after 1 April 2010 for businesses in the charge to corporation tax, and on or after 6 April 2010 for businesses in the charge to income tax.
- Capital allowances allow the cost of capital assets to be written off against a business's taxable profits. They take the place of depreciation charged in accounts which is not tax allowable. The main rate of capital allowances for general spending on plant and machinery is 20% a year on the reducing balance basis and 18% from 1 April 2011. Capital allowances on long life assets will be increased from 6% to 10% per annum from 2008/09.
- The 100% Annual Investment Allowance (AIA) for first £25,000 of expenditure has been extended to help small businesses. The Annual Investment Allowance (AIA) allows businesses, regardless of size, to reduce their taxable profits by the full amount of their annual capital expenditure on most plant and machinery (apart from cars), up to a maximum amount of £25,000 each year. In order to provide further cash flow support and an incentive to increase business investment, the Government will increase the maximum amount of the AIA to £100,000 from 1 April 2011 (for corporation tax) or 6 April 2011 (for income tax). Capital expenditure above this threshold will continue to be eligible for standard capital allowances against taxable profits.
- First year allowance for expenditure in excess of AIA cap (not long life assets / integral features / thermal insulation) will be 40%.

Private Use of Company Cars and Vans

The changes to be made to business tax relief for expenditure on cars will take effect from 1 April 2009:

- the changes are broadly as expected and relief will be based on the CO₂ emissions of each car. If the car has emissions no greater than 110g/km it will attract an immediate 100% tax write down; if the emissions exceed 110g/km but not 160g/km the car attracts 20% Writing Down Allowance (WDA) in the general pool. Cars with emissions exceeding 160g/km are dealt with in the special rate pool attracting WDAs at 10% per year. No balancing adjustment will be available on disposal of the car.
- a car owned by an unincorporated business and with an element of non-business use will continue to be held in a separate private-use pool. Capital allowances will be based on the emissions of the car as per the new regime. Currently such cars attract a balancing adjustment on disposal and as they will continue to be held in single use asset pools it seems that this will still be available (a Technical Note providing further details will be published shortly).
- the new capital allowances rules apply to cars acquired on or after 6 April 2009 (1 April 2009 for companies). Expenditure incurred before that date will be subject to the existing 'expensive' car rules for five years with any balance at that date being transferred to the general pool.

- cars obtained on a lease have a restriction on the amount of tax relief for the finance element of the lease payments. This restriction applies to 'expensive' cars. Under the new regime only cars with CO2 emissions in excess of 160g/km will have a restriction for lease payments at 15% of the relevant payments made under the lease.
- cars acquired under leases commencing prior to 6 April 2009 (1 April 2009 for companies) will continue to be subject to the existing rules.
- motorcycles are excluded from these rules and expenditure on or after 6 April 2009 (1 April 2009 for companies) will qualify for the Annual Investment.

Mileage expenses

Employees (including directors) using their own vehicles for work is entitled to receive certain payments free of tax and NICs (the rules for each are related but not identical). If employees receive greater amounts than are allowed tax-free, they will pay tax on the excess. If they receive greater amounts than are allowed NICs-free, both employers and employees will be liable for Class 1 NICs on the excess. If employees receive less than the respective amounts above, no NICs will be payable and tax relief will be available. The rates from 1 April 2011 as follows;

Approved mileage rates		
	First 10,000 business miles in the tax year	Each business mile over 10,000 in the tax year
Cars and vans	45p	25p
Bicycles	20p	20p

(It is important to remember that if the company wants to claim the Vat element back on the mileage the expense claim must be accompanied with valid petrol receipts).

Company Cars - Advisory Fuel Rates for Company Cars from 1 March 2001

These rates apply to all journeys on or after 1st March 2011 until further notice for employees (including directors) claiming mileage:

Engine size	Petrol	Diesel	LPG
1400cc or less	14p	13p	10p
1401cc to 2000cc	16p	13p	12p
Over 2000cc	23p	16p	17p

(It is important to remember that if the company wants to claim the Vat element back on the mileage the expense claim must be accompanied with valid petrol receipts).

Value Added Tax

- The taxable turnover threshold, which determines whether a person must be registered for VAT, will increase from £70,000 to £73,000, from 1 April 2011. The taxable turnover threshold which determines whether a person may apply for deregistration will be increased from £68,000 to £71,000.

If you would like any further information on the tax issues discussed above, please contact Heidi Pay on 01242 230043.

This newsletter is for general guidance only and represents our understanding of law and Inland Revenue practice as at 23rd March 2011. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from, taxation are those currently applying but are subject to change and their value depends on the individual circumstance of the investor.