

FA 2021**TAX RATES AND ALLOWANCES**

The following tax rates and allowances will be reproduced in the examination paper for Paper (TX-UK). In addition, other specific information necessary for candidates to answer individual questions will be given as part of the question. For example, in the case of corporate chargeable gains the relevant indexation factors for particular dates will be given.

Income Tax

		<i>Normal rates</i>	<i>Dividend rates</i>
Basic rate	£1 – £37,700	20%	7.5%
Higher rate	£37,701 – £150,000	40%	32.5%
Additional rate	£150,001 and over	45%	38.1%

The savings income nil rate bands are £1,000 for a basic rate taxpayer and £500 for a higher rate taxpayer. A starting rate of 0% applies to taxable savings income where it falls within the first £5,000 of taxable income. The dividend income nil rate band is £2,000.

Personal Allowance

	<i>£</i>
Personal Allowance	12,570
Transferable amount	1,260
Income limit	100,000

Where adjusted net income is £125,140 or more the personal allowance is reduced to zero.

Residence status

Days in UK	Previously resident	Not previously resident
Less than 16	Automatically not resident	Automatically not resident
16 to 45	Resident if 4 UK ties (or more)	Automatically not resident
46 to 90	Resident if 3 UK ties (or more)	Resident if 4 UK ties
91 to 120	Resident if 2 UK ties (or more)	Resident if 3 UK ties (or more)
121 to 182	Resident if 1 UK tie (or more)	Resident if 2 UK ties (or more)
183 or more	Automatically resident	Automatically resident

Child benefit income tax charge

Where income is between £50,000 and £60,000, the charge is 1% of the amount of child benefit received for every £100 of income over £50,000.

Property Income

100% of property income finance costs are subject to basic rate restriction.

Car Benefit Percentage

The base level of CO₂ emissions is 55 grams per kilometre.

The percentage rates applying to petrol cars (and diesel cars meeting the RDE2 standard) with CO₂ emissions up to this level are:

51 grams to 54 grams per kilometre	14%
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55 grams per kilometre	15%
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A 1% percentage applies to electric-powered motor cars with zero CO₂ emissions

For hybrid-electric motor cars with CO₂ emissions between 1 and 50 grams per kilometre, the electric range of the car is relevant:

Electric Range

130 miles or more	1%
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70-129 miles	4%
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40-69 miles	7%
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30-39 miles	11%
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less than 30 miles	13%
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Car Fuel

The car fuel benefit is £24,600

Company Van benefit

The company van benefit scale charge is £3,500 and the van fuel benefit is £669. Zero emission vans have a zero benefit charge.

Individual savings accounts (ISAs)

The overall investment limit is £20,000.

Pension Scheme Limits

Annual allowance	£40,000
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Minimum allowance	£4,000
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Income limit	£240,000
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Lifetime allowance	1,073,100
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The maximum contribution that can qualify for tax relief without any earnings is £3,600.

Authorised mileage allowances

All cars

up to 10,000 miles	45p
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over 10,000 miles	25p
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Cash basis

Revenue limit	£150,000
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Capital Allowances**Plant and machinery**

Main pool	18%
Special rate pool	6%

Motor cars

New cars with zero CO2 emissions	100%
CO2 emissions between 1 and 50 grams per kilometre	18%
CO2 emissions over 50 grams per kilometre	6%

Annual investment allowance

Rate of allowance	100%
Expenditure limit	£1,000,000

Enhanced Capital Allowances for Companies

Main pool super deduction	130%
Special rate pool first year allowance	50%

Commercial structures and buildings

Straight-line allowance	3%
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Cap on income tax reliefs

Unless otherwise restricted, reliefs are capped at the higher of £50,000 or 25% of income.

Corporation Tax

Rate of tax FY 2021	19%
Rate of tax FY 2020	19%
Rate of tax FY 2019	19%
Profit threshold	£1,500,000

Value Added Tax

Standard rate	20%
Registration limit	£85,000
Deregistration limit	£83,000

Inheritance Tax: Tax Rates:

Nil rate band	£325,000	
Residence nil rate band	£175,000	
Excess	– Death rate	40%
	– Lifetime rate	20%

Inheritance Tax: Taper relief

Years before death	<i>Percentage reduction</i>
Over 3 but less than 4 years	20%
Over 4 but less than 5 years	40%
Over 5 but less than 6 years	60%
Over 6 but less than 7 years	80%

Rates of Interest

Official rate of interest:	2%
Rate of interest on underpaid tax:	2.6%
Rate of interest on overpaid tax:	0.5%

Capital Gains Tax - Individuals

Annual Exempt Amount	£12,300
Rates of tax Normal rates	
– lower rate	10%
– higher rate	20%
Residential Property rates	
– lower rate	18%
– higher rate	28%
Business Asset Disposal Relief	£1,000,000
– lifetime limit	
– Rate of tax	10%
Investors' Relief	£10,000,000
Rate of tax	10%

National Insurance (not contracted out rates)

<i>Annual</i>				
Class 1	<i>Employee</i>	£1 - £9,568	@	0%
		£9,569 – £50,270	@	12%
		£50,271 and above	@	2%
Class 1	<i>Employer</i>	£1 - £8,840	@	0%
		£8,841 and above	@	13.8%
		Employment allowance		£4,000
Class 1A				13.8%
Class 2		£3.05 per week		
		Small profits threshold		£6,515
Class 4		£1 - £9,568 per year	@	0%
		£9,569 – £50,270 per year	@	9%
		£50,271 and above per year	@	2%

1. Calculations and workings need only be made to the nearest £.
2. All apportionments should be made to the nearest month.
3. All workings should be shown in Section C

Standard penalties for errors

<i>Taxpayer behaviour</i>	<i>Maximum penalty</i>	<i>Minimum penalty - unprompted disclosure</i>	<i>Minimum penalty - prompted disclosure</i>
Deliberate and concealed	100%	30%	50%
Deliberate but not concealed	70%	20%	35%
Careless	30%	0%	15%