

Total Back Office Solutions Ltd

Taxes, returns & payroll guidebook

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Created by Business Link on 26 June 2009 10:38
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Quick reference guide to rates, thresholds and fees

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Quick reference guide to rates, thresholds and fees

Introduction

Rates, thresholds and fees, as well as rules and regulations, can alter annually with changes being announced in the Budget and usually implemented from the beginning of a tax year.

If you have a printed copy of the No-Nonsense Guide, it's possible that some of the fees, rates or other figures have since changed. Use this guide to keep up to date.

Read a copy of the No-Nonsense Guide to Government rules and regulations for setting up your business.

Over a year, a business owner has to make certain reports (returns) and payments to various government bodies. Some of these reports are made at the end of the tax year, some are made at the end of what is called an 'accounting period' while others are made quarterly or monthly.

Regardless of when a return or payment is made, you will need to ensure that you use the correct rate or allowance for the relevant tax year, or you may face a penalty.

Income tax rates and allowances

Income tax is payable if you employ others or you are the director of your own limited company.

How much you deduct from wages or salary depends on the appropriate tax rate and tax band. Income tax is payable to HM Revenue & Customs (HMRC) through the PAYE (Pay As You Earn) system.

Tax rates and bands

Tax rate	Tax bands in 2009-10
Basic rate: 20%	£0-£37,400
Higher rate: 40%	Over £37,400

The Chancellor announced in his April 2009 budget that there will be an additional higher rate of income tax of 50 per cent for taxable incomes over £150,000 per year from 2010-11.

A tax allowance is the amount of tax-free income an employee can earn in a year. All employees are currently entitled to a basic tax allowance. Some employees will be entitled to more than one allowance.

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Income tax allowances

Type of allowance	Earnings for 2009-10
Personal allowance	£6,475
Personal allowance (aged 65-74)	£9,490
Personal allowance (aged 75 and over)	£9,640
Income limited for age-related allowances	£22,900
Married couple's allowance for people born before 6 April 1935	£6,865
Married couple's allowance - aged 75 or over	£6,965
Minimum amount of married couple's allowance	£2,670
Blind person's allowance	£1,890

From 2010-11 the basic personal allowance for those earning over £100,000 will be gradually reduced to nil. The personal allowance will be reduced by £1 for each £2 over £100,000 until it has been completely withdrawn.

See our section on [your tax bill, payments, deadlines, corrections and refunds](#).

National Insurance contributions

The majority of the working population is required to pay National Insurance contributions (NICs). These contributions go towards certain social security benefits, such as the state pension and jobseekers allowance.

The different types of NICs:

Primary Class 1 NICs - paid by employed people

An employee only starts paying NICs once they are earning above the earnings threshold (ET). If an employee earns less than the earnings threshold, they are treated as paying NICs on the earnings between the lower earnings limit (LEL) and the earnings threshold. Employees pay NICs at a lower percentage rate on earnings above the upper earnings limit (UEL).

Secondary Class 1 NICs - paid by employers

An employer pays secondary NICs on the same level of earnings as employees but there is no upper earnings limit.

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NICs thresholds for employees and employers

NICs threshold	Earnings per week 2009-10
Primary Class 1: ET	£110
Secondary Class 1: ET	£110
Primary Class 1: LEL	£95
Primary Class 1: UEL	£844

NICs rates for employees and employers

Type	Rate for 2009-10
Primary Class 1: employees earning over the ET	11% of £110.01 to £844 per week and 1% on all earnings above £844
Secondary Class 1: Employees earning over the ET	12.8% of earnings above £110 per week
Married women paying reduced rate NICs	4.85% of £110.01 to £844 per week and 1% on all earnings above £844
Employees' contracted - out rebate	1.6%
Employers' contracted - out rebate (salary-related schemes)	3.7%
Employers' contracted - out rebate (money-purchase schemes)	1.4%

NIC rates for the self-employed

You will need to complete a self-assessment tax return on an annual basis. This will show the level of profits that you are declaring.

Class 2 NICs

If you are self-employed, you are probably liable for Class 2 NICs, which are payable at a flat weekly rate of £2.40 per week in 2009-10.

You do not have to pay Class 2 NICs if you earn less than £5,075 in 2009-10 and have a Small Earnings Exception certificate.

Class 4 NICs

Class 4 NICs you pay on annual profits above a certain level, at a rate of 8 per cent between the lower and upper profits limit and 1 per cent on profits above the upper profits limits.

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- Class 4 lower profits limit: £5,715 in 2009-10
- Class 4 upper profits limit: £43,875 in 2009-10

See our guide on [National Insurance: the basics](#).

Capital Gains Tax

Capital Gains Tax (CGT) is payable on capital gains made on selling or disposing of assets, such as property and shares. For example, you may be liable to pay CGT on the gains on your share of partnership assets when you sell or transfer a business.

CGT charges are based on the total of your taxable gains for the tax year, excluding the first £9,600 of your gains in the tax year 2008/09, which is free from tax. This is called your **annual personal exemption**.

See our guide on [Capital Gains Tax](#).

Corporation Tax

Corporation Tax is payable by limited companies on profits. However, certain organisations that are not limited companies are also required to pay Corporation Tax. This should be checked with HM Revenue & Customs (HMRC). The self-employed are not required to pay Corporation Tax.

Corporation Tax rates for 2008-09 and 2009-10

Since 1 April 2008, the small companies' rate, for all profits apart from ring fence profits (North Sea oil and gas), is 21 per cent and the fraction used in smoothing the difference between the main rate of Corporation Tax and the small companies' rate (marginal small companies' relief) is 7/400ths.

The small companies' rate for ring-fence profits is 19 per cent, and the marginal small companies' relief fraction is 11/400ths.

Corporation Tax rates

Profits	Rate applied	Rate payable on profits earned from 1 April 2009
Up to £300,000	Small companies' rate	21%
£300,001 - £1,500,000	Marginal relief from main rate	Between 21% and 28%
Over £1,500,000	Main rate	28%

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Note: Budget 2007 announced a staged increase in the small companies rate of Corporation Tax from 19 per cent to 20 per cent from April 2007, 21 per cent from April 2008 and 22 per cent from April 2009. However, the increase from 21 per cent to 22 per cent from April 2009 has been deferred until April 2010. This deferral was announced by the Chancellor in his November 2008 Pre-Budget Report and will have effect on and after 1 April 2009.

[Use the marginal relief rate calculator on the HMRC website - Opens in a new window.](#)

See our guide on an [introduction to Corporation Tax](#).

VAT

VAT is a tax payable on the majority of business transactions that involve the transfer of goods or services.

Registration for VAT is required once your business' annual turnover reaches a certain level and VAT will then be payable to HM Revenue & Customs (HMRC). However, even if your turnover has not reached the level required, you can choose to register on a voluntary basis, as this may have benefits for the business.

For more information and to read about the business benefits of registering for VAT on a voluntary basis, see our guide - [introduction to VAT](#).

Turnover thresholds for 2009-10

Compulsory registration	£68,000
Cash Accounting Scheme	Under this scheme, you can account for VAT on the basis of payments made and received, instead of on VAT invoices issued and received. You are eligible to use this scheme if your annual taxable turnover is not more than £1,350,000.
Flat Rate Scheme	This allows you to calculate your VAT payment as a flat rate percentage of your turnover. You are qualified to use this scheme if your annual taxable turnover subject to VAT is not more than £150,000.
Annual Accounting Scheme	Under this scheme, you pay VAT in nine monthly or three quarterly instalments based on your previous year's VAT, or on an estimate of your likely VAT bill if you have been trading for less than 12 months. You

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	can use this scheme if your taxable turnover subject to VAT is not more than £1,350,000 if you have been trading for less than 12 months, or £660,000 of turnover subject to VAT if you have been registered for more than 12 months.
Deregistration threshold	£66,000. If your anticipated turnover for the next year will not exceed this threshold, you can cancel your VAT registration voluntarily.

See our guide on [VAT accounting schemes: the basics](#).

VAT rates from 1 December 2008 are:

- Standard - 17.5 per cent up to 30 November 2008 and from 1 December 2008 the standard rate is 15 per cent
- Reduced - 5 per cent
- Zero rate - 0 per cent

The standard rate will change back to 17.5 per cent on 1 January 2010.

[Find out which goods and services are charged at the reduced rate and which are zero rated on the HMRC website - Opens in a new window.](#)

Stamp duty

There are two types of stamp duty for most businesses. **Stamp duty land tax (SDLT)** may be due if you buy or lease premises. When acquiring either private or business premises you may incur SDLT and you should take this additional cost into account.

Stamp duty reserve tax (SDRT) may be due on the purchase of shares and securities.

Stamp duty land tax

Rates of SDLT for non-residential land transactions with an effective date on or after 23 March 2006

Rate due as percentage of purchase price	Purchase price of a non-residential UK property
Zero	£0 - £150,000
1%	Over £150,000 - £250,000

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3%	Over £250,000 - £500,000
4%	Over £500,000

Rates of SDLT for residential land transactions

Rate due as percentage of purchase price	Purchase price for residential transactions before 3 September 2008	Purchase price for residential transactions on or after 3 September 2008 and before 31 December 2009
Zero	£0 - £125,000	£0 - £175,000
1%	Over £125,000 - £250,000	Over £175,000 - £250,000
3%	Over £250,000 - £500,000	Over £250,000 - £500,000
4%	Over £500,000	Over £500,000

After 31 December 2009, SDLT rates will revert to the rates payable on transactions occurring before 3 September 2008 so that residential premises costing less than £125,000 will be exempt from SDLT.

For residential properties in certain qualifying areas 'disadvantaged areas relief' may apply. [Find out about disadvantaged areas relief and how to claim it on the HM Revenue & Customs \(HMRC\) website - Opens in a new window.](#)

SDLT also applies to the grant of a lease where the chargeable consideration for the transaction consists of or includes rents. [Download a guide to leases from the HMRC website \(PDF\) - Opens in a new window.](#)

Stamp duty reserve tax

SDRT is charged at 0.5 per cent of the value of share transfers. If there is no consideration in money (value), then SDRT is not usually chargeable. SDRT is also not chargeable on certain securities including gilt and loan capital.

For more information, see our section on [stamp taxes](#).

For further information contact the HMRC Stamp Taxes Helpline on Tel 0845 603 0135.

You can also write to the Stamp Office. [Find contact details of Stamp Offices on the HMRC website - Opens in a new window.](#)

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Employees' pay and deductions

If your business has employees, you are responsible for deducting **income tax** and **National Insurance contributions** (NICs) from their earnings. You can do this using the PAYE (Pay As You Earn) system.

You will need to inform both your employees and HM Revenue & Customs (HMRC) of how much has been deducted every year.

For more information, see our guide on [PAYE: the basics](#).

You may also need to manage other payroll deductions, such as payment for student loans. See our guide on how to [manage student loans, payroll and other deductions](#).

Legal obligations

A range of legal obligations also apply to staff pay. Depending on the age of your staff and other conditions, varying rates of the **National Minimum Wage** (NMW) will apply.

NMW rates for pay reference periods starting on or after 1 October 2008

- £5.73 an hour for workers aged 22 or over
- £4.77 an hour for workers aged 18 to 21
- £3.53 an hour for workers aged 16 and 17 over compulsory school age

The government has confirmed the NMW rates will be increasing for pay reference periods starting on or after 1 October 2009 to:

- £5.80 an hour for workers aged 22 or over
- £4.83 an hour for workers aged 18 to 21
- £3.57 an hour for workers aged 16 and 17 who are over compulsory school age

The government has also confirmed that for pay reference periods starting on or after 1 October 2010 the adult rate of NMW will apply to those aged 21 and over (currently payable to those aged 22 and over).

Certain groups of workers are not entitled to the NMW. Read information on who is entitled and who is not entitled to the NMW in our guides on [understanding National Minimum Wage law](#) and [pay - an overview of obligations](#).

Under certain conditions, you may also have to pay an employee statutory sick pay (SSP), statutory maternity pay (SMP), statutory paternity pay (SPP) or statutory adoption pay (SAP).

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Statutory pay rates

Statutory pay type	Pay rate
SSP	£79.15 per week
SMP	Six weeks at 90% of the employee's average weekly earnings followed by a further 33 weeks at £123.06 per week or 90% of average weekly earnings - whichever is lower.
SPP	One or two weeks' pay at £123.06 per week or 90% of weekly earnings - whichever is lower. If the employee opts to take two weeks' leave, they must be taken together.
SAP	39 weeks at £123.06 per week or 90% of weekly earnings - whichever is lower.

The above rate of SSP will apply from 6 April 2009 and from 5 April 2009 (the first Sunday in April) for SAP, SMP and SPP for employees earning over £95 per week.

See our guides on how to [understand statutory sick pay](#), [maternity leave and pay](#), [paternity leave and pay](#) and [adoption leave and pay](#).

You may also have to pay an employee redundancy pay. Redundancy pay is based on an employee's age and the length of time they have worked continuously for you (up to a maximum of 20 years). You are required to pay:

- 1.5 weeks' pay for each year's service over the age of 41
- one week's pay for each year's service between the ages of 22 and 40
- 0.5 week's pay for each year's service up to the age of 21

There is a limit on the amount of a week's pay that can be taken into account when entitlement is calculated. The limit is £350 per week with an overall maximum of £10,500 from 1 February 2009.

For more information, read our guide on [making an employee redundant](#).

Registering a limited company

Certain charges apply when registering a limited company or limited liability partnership (LLP) based in England and Wales with Companies House. You may choose to handle the

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registration process yourself, although professional help or company formation agents are often used.

Currently, Companies House registration fees are as follows:

- cost of registering an LLP - £20, or £50 for a same-day service
- cost of registering a limited company - £20, or £15 for electronic service
- cost of registering a limited company via same-day service - £50, or £30 for electronic service

See the following guides on how to:

- [set up and register a limited company \(private or public\)](#)
- [set up and register a limited liability partnership \(LLP\)](#)

Other business-related facts and figures

Data protection

If your business processes personal information, you must comply with the Data Protection Act 1998. You must register as a 'data controller' with the Information Commissioner's Office (ICO). The registration fee is £35 per year. Data controllers can charge up to £10 to provide information to someone who has asked to see it.

See our guide on how to [comply with data protection legislation](#).

[Follow a step-by-step guide to registering as a data controller on the ICO website - Opens in a new window.](#)

[Read a guide to complying with the Data Protection Act on the ICO website - Opens in a new window.](#)

Late payment charges

Credit management procedures are key to your business' financial health and even its survival once you are operational. If you receive late payments from customers, you are allowed to claim reasonable debt-recovery costs.

Currently late payment charges are:

- £40 for debts up to £999.99
- £70 for debts from £1,000-£9,999.99

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- £100 for debts of £10,000 and above

You are also entitled to claim interest on late payments under the Late Payment of Commercial Debts (Interest) Act. Interest is charged at 8 per cent over Bank of England base rate and is fixed for six-month periods. For more information on late payment and interest charges, see our guide on [recovering late payments](#).

Tax on business vehicles

The earnings threshold for treating company cars as a benefit in kind is £8,500 per year, including any taxable benefits and expenses payments.

For more information read our guides on [operating your own motor vehicles](#) and [company cars, vans and fuel](#).

Packaging recycling and recovery

The threshold for the requirement to register for recycling and recovery is turnover above £2 million and more than 50 tonnes of packaging handled annually.

See our guide on [product labelling and packaging](#).

Helplines

HMRC Employer Helpline

08457 143 143

HMRC National Advice Service Enquiry Line

0845 010 9000

HMRC Stamp Taxes Helpline

0845 603 0135

Related guides on businesslink.gov.uk

[Manage your personal list of starting-up tasks with our Business start-up organiser](#) | [Read about and enrol for PAYE Online for Employers](#) | [Use our interactive tool to get a beginner's guide to tax and accounts rules](#) | [Paying HM Revenue & Customs](#) | [Your tax bill, payments, deadlines, corrections and refunds](#) | [PAYE: the basics](#) | [Use our](#)

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[interactive tool to identify which National Insurance contributions you must pay](#) | [Class 2 National Insurance contributions](#) | [National Insurance: the basics](#) | [Capital Gains Tax](#) | [Introduction to Corporation Tax](#) | [Introduction to VAT](#) | [VAT accounting schemes: the basics](#) | [Stamp taxes](#) | [Use our interactive tool to find out how to manage new and expectant mothers in your workplace](#) | [Manage student loans, payroll and other deductions](#) | [Pay - an overview of obligations](#) | [Understanding national minimum wage law](#) | [Understand statutory sick pay](#) | [Maternity leave and pay](#) | [Adoption leave and pay](#) | [Paternity leave and pay](#) | [Making an employee redundant](#) | [Set up and register a limited company \(private or public\)](#) | [Set up and register a limited liability partnership \(LLP\)](#) | [Comply with data protection legislation](#) | [Recovering late payments](#) | [Operating your own motor vehicles](#) | [Product labelling and packaging](#) |

Related web sites you might find useful

[Tax rate, allowance and threshold details from HM Revenue & Customs \(HMRC\) - Opens in a new window](#)

[VAT rates advice from HMRC - Opens in a new window](#)

[Read about and enrol for Self Assessment Online - Opens in a new window](#)

[Reduced rate and zero rated goods and services list from HMRC - Opens in a new window](#)

[Download property purchase guidance from HMRC \(PDF, 47K\) - Opens in a new window](#)

[Download lease guidance from HMRC \(PDF, 93K\) - Opens in a new window](#)

[Disadvantaged areas relief advice from HMRC - Opens in a new window](#)

[HMRC Stamp Office contact details - Opens in a new window](#)