

Income Tax

Tax rates	Note	2008/09	2007/08	
Starting rate band		*see below	£2,230	
Tax rate		N/A	10%	
Basic rate band		£36,000	£32,370	
Basic rate		20%	22%	
Savings rate		*see below	20%	
Dividend ordinary rate		10%	10%	
Higher rate – taxable income over		£36,000	£34,600	
Higher tax rate		40%	40%	
Dividend rate		32.5%	32.5%	
*10% starting rate for savings income up to £2,320. Not applicable if taxable non-savings income exceeds £2,320.				
Trusts				
For interest in possession trusts on all income, and other trusts on the first £1,000 of income (“standard rate band”):				
Dividend ordinary rate	4	10%	10%	
savings income	4	20%	20%	
other income	4	20%	22%	
Income of other trusts above £1,000 is taxed at the special trust rates:				
rate applicable to trusts		40%	40%	
dividend trust rate		32.5%	32.5%	
Allowances that reduce taxable income				
Personal allowance (PA)	under 65	1	£5,435	£5,225
	65 to 74	1,3	£9,030	£7,550
	75 and over	1,3	£9,180	£7,690
	Blind person’s allowance		£1,800	£1,730

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	Note	2007/08	2006/07	
Allowances that reduce tax				
Married couple's allowance (MCA)				
Tax reduction	74	1,2,3	£653.50	£628.50
	75 and over	1,2,3	£662.50	£636.50
The age-related allowances are progressively withdrawn if income exceeds			£21,800	£20,900
Minimum PA			£5,435	£5,225
Minimum MCA tax reduction			£254	£244
Tax Shelters				
Enterprise Investment Scheme (EIS) up to	5		£500,000	£400,000
Venture Capital Trust (VCT) up to			£200,000	£200,000
Golden Handshake max.			£30,000	£30,000
Rent a Room –				
exempt on gross annual rent up to			£4,250	£4,250
Construction Industry Scheme deduction rate:				
Standard (registered)			20%	20%
Higher (not registered)			30%	30%

Notes

1. Ages are as the end of the tax year. Ages for the MCA relate to the elder of spouse or civil partner
2. MCA is available only to those couples where at least one spouse or civil partner was born before 6 April 1935.
3. The higher rates of personal allowances are reduced by £1 for each £2 of excess income over £21,800 (2007/08 £20,900) until the basic allowance is reached. Similar limits apply to the married couple's allowance: the loss of tax reduction is 10p for each £2 of excess income until the minimum of £254 (2007/08 £244) is reached. (For couples married before 5 December 2005, only the husband's income is taken into account. For those married on or after 5 December 2005 or in a civil partnership, only the higher earner's income is taken into account).
4. Where there are several trusts created by the same settlor, the "standard rate band" is divided equally between them, subject to a minimum band of £200 for each trust.
5. Start date for 2008/09 increase is subject to European Commission approval.

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