

**THE INSTITUTE OF INDIRECT TAXATION
ASSOCIATE EXAMINATION**

**PAPER IV
STAMP TAXES, DIRECT TAXES AND
INTERACTION OF ALL TAXES**

26 JANUARY 2010

**TIME ALLOWED - 15 MINUTES READING TIME
3 HOURS WRITING TIME**

Candidates must answer **5 QUESTIONS** – (all parts of the question in Section A, and four questions from Section B)

Each question carries 20 marks

Start each answer in a fresh book

All workings should be shown and (unless stated otherwise) made to the nearest month and pound.

Marks are specifically allocated for good presentation and references to relevant legislation.

[Tax tables are included at the back of this Paper]

Section A

Question 1

All parts of this question should be attempted.

Stamp Duty Land Tax

Outline the SDLT consequences of the following transactions.

1. Katrina contracts to sell her house to Jai Kumar for \$1,000,000 on the 1st December 2009. Jai Kumar, pays \$100,000 on the 1st December, \$200,000 on exchange of contracts on 31st December 2009 and the balance on 31st January 2010 on completion. The London closing exchange rate is 1.6:1 on 1st December, 1.55:1 on 31st December and 1.52:1 on 31st January 2010. **3 marks**
2. Raja agrees contracts to sell his factory to Maya for £2m on the 1st December 2009 on terms that it cannot be sub-sold, nor can the benefit of the contract be assigned. Maya pays a deposit of £150,000 on 22nd December. Maya then contracts to sell the property to Rani for £1,200,000 on the 2nd January 2010 and both the Raja/Maya and the Maya/Rani contracts are completed on the 31st January 2010. **3 marks**
3. Bob and Jodie, brother and sister, are shareholders in Bett Ltd – holding 50% each of the ordinary share capital. A property which Bett Ltd owns is to be transferred into a partnership between Bett Ltd, Bob and Jodie (BBJ) where the income sharing ratios are 40:25:35. The partnership will pay £3m although the property is considered to have a market value of £4m. **3 marks**
4. BBJ buys three properties in a single transaction from an unconnected property developer for £120,000, £160,000 and £230,000 respectively. **2 marks**
5. Sophie agrees to take the transfer of a property from her brother Michael for no consideration. The property is subject to a mortgage of £600,000 which Sophie will take on. The market value of the property is only £550,000. **2 marks**
6. Sophie contracts to purchase a property from Bett Ltd for £400,000 and having paid a deposit of £300,000 agrees to sell it to Michael for £350,000. **4 marks**
7. Raja wishes to purchase a property from Katrina for £800,000 and Katrina will, for a further £250,000 arrange to build an extension to the existing warehouse on the property or another property owned by Raja. **3 marks**

Section B

Attempt **four** questions in this Section

Question 2

StarFleet Hotels Ltd

StarFleet Hotels Ltd is a UK company which owns a London hotel, "The Enterprise", which has traded since 1990 and had been built from scratch for a cost of £7M of which £1M was in respect of plant and machinery. The hotel was sold in July 2009 for £18M to a third party, of which £9M is allocated to goodwill, £8M to land and buildings and £1M to plant and machinery.

Starfleet Hotels Ltd is keen to build a new hotel "The Bird of Prey" and in anticipation of the sale of the Enterprise purchased a new site, ie bare land, in November 2008 and immediately applied for planning permission to build the new hotel. The site cost £10M and it is budgeted that construction costs will amount to £20M split evenly over two years of construction. Unfortunately the planning application has run into problems and despite best efforts by StarFleet Hotels, the process is painfully slow and may fail, in which case the site will be sold off.

As a back up plan in case the planning application fails, StarFleet Hotels Ltd entered into a two year option to purchase an existing hotel "The Romulan Ambassador" for a consideration of £22M of which £7M is allocated to goodwill, £7M to the land and building and £2M to plant and machinery.

You are required, ignoring indexation relief:

1. to compute the amount of the capital gain arising on the sale of the Enterprise in the absence of any rollover relief. **2 marks**
2. to comment on the delay in the occupation and use of the Bird of Prey given the requirements of s152 TCGA 1992 for the acquisition of new qualifying assets to be taken into use on acquisition, ie immediately on acquisition, and the application of Extra Statutory Concession D24. **2 marks**
3. to compute the capital gain after maximum rollover relief *with a few words of explanation* in the circumstances that the Bird of Prey receives planning permission and is built and completed and opens for business in June 2012 and the option on the Romulan Ambassador lapses. **4 marks**
4. to compute the capital gain after maximum rollover relief *with a few words of explanation* in the circumstances that the Bird of Prey receives planning permission and is built and completed and opens for business in June 2012 and that additionally the option on the Romulan Ambassador is exercised in February 2010. **4 marks**
5. to compute the capital gain after maximum rollover relief *with a few words of explanation* in the circumstances that the Bird of Prey receives planning permission (finally) in October 2012 and the Bird of Prey is built and completed in October 2014 and the option on the Romulan Ambassador lapses. **4 marks**
6. to compute the capital gain after maximum rollover relief *with a few words of explanation* in the circumstances that planning permission for the Bird of Prey is not granted and the site is sold and instead the option to buy the Romulan Ambassador is exercised. **4 marks**

Question 3

Calitherm

Calitherm is an unlisted UK manufacturing business with a holding company, W Ltd, and three subsidiaries, X Ltd, Y Ltd and Z Ltd. Mr Cyrill, the Head of Finance, is in talks with a third party, 123 Ltd, to sell them the shares of Y Ltd for £9m, as part of a group restructuring.

Mr Cyrill has provided you with the following additional information.

- Y Ltd has £2m cash in the bank and is a trading company with no other activities
- Y Ltd was purchased by W Ltd 11 months ago
- Y Ltd has some plant and machinery which the purchaser is not interested in but which X Ltd could utilise for its trade
- Z Ltd has £1.5m capital loss brought forward
- W Ltd, X Ltd, Y Ltd and Z Ltd form a VAT group
- Fat Cat Bank Plc is advising on the sale and helping in the negotiations with the 123 Ltd. The fixed fee for this work is £500k. The contract is silent on VAT.
- Sharpsuits LLP, a law firm, is going to charge £150k + VAT for drafting the sale contract

Write a letter to Mr Cyrill setting out the Corporation Tax, VAT and stamp duty implications for Calitherm of selling the business. Make any recommendations you feel appropriate.

20 marks

Question 4

ABC Ltd

ABC Ltd is joining three other entities to form a Limited Liability Partnership (LLP). The LLP will trade as a developer of commercial buildings for sale and for leasing to tenants. ABC Ltd holds some land that it has started to develop and will be used by the LLP for the purposes of its proposed business activities. It has agreed to contribute this land, together with all its trade and assets into the LLP in exchange for its capital share. The other three entities that are joining the LLP have agreed to contribute cash, each to the equivalent value, so that the four entities are equal partners in the LLP.

Please prepare a report advising the directors of ABC Ltd of the Corporation Tax, Capital Gains Tax, Stamp Duty Land Tax and VAT implications of the transfer of its trade and assets (including the land) into the LLP. In particular please consider:

1. Whether the trade and assets can be transferred as a "Transfer of a Going Concern" for VAT purposes and if so, what special conditions might apply? **3 marks**
2. What special conditions may apply to the LLP in respect of its VAT obligations as a result of receiving the transferred assets and land? **2 marks**
3. What will be the VAT liabilities of the supplies made by the LLP? **2 marks**
4. What will be the VAT consequences if one of the LLP members, who is a dentist, occupies one of the new buildings as a tenant to use for his own business activities as a dental surgeon? **3 marks**
5. Briefly outline the factors which should be taken into account in deciding whether ABC Ltd would account for the property as trading stock and profit, or as an investment subject to chargeable gains. **4 marks**

6. On the basis that ABC Ltd held the asset as trading stock but the LLP will hold it as an investment, outline the Corporation Tax implications:
- (i) of the transfer of the land **2 marks**
 - (ii) of the changes in the membership of the LLP **2 marks**
7. Comment briefly on the Stamp Duty Land Tax issues arising from the transfer. **2 marks**

Question 5

Corporate Group

You act as Tax Manager for a group of companies (A through to E). You have been asked to attend a management meeting to advise on a number of questions which cover a number of different taxes.

The companies in the group are:

Company A		Holding company with substantial capital losses brought forward
Company B	(100% sub of A)	Property Development trading company
Company C	(100% sub of A)	Manufacturing and distribution
Company D	(100% sub of A)	Dormant company
Company E	(100% sub of D)	Manufacturing with substantial trading losses brought forward

The CEO has asked you to prepare a note for him, in advance of the meeting, on the matters to be discussed. These are:

1. Company C

The Finance Director of Company C has said that it is currently looking to sell an opted to tax property. Negotiations are at a very early stage. However, the purchaser has suggested they may convert the property into a residential property. He **requires advice on:**

- Any VAT implications for the vendor?
- Would it make a difference if they demolished the existing property?
- Are there any SDLT implications? **5 marks**

2. Company E

The company has sold an investment property it has owned since 1985, to a third party realising a considerable gain. Company E's FD **requires advice on:**

- The corporation tax consequences of the transaction and to state any elections that may minimise the corporation tax payable.
- How the number of associates affect the rates of corporation tax. **5 marks**

3. VAT grouping

The CEO has a further question regarding VAT. All companies in the group are separately registered for VAT. **The CEO seeks your advice on the following:**

- Is it possible to avoid having each company separately registered?
- If it is possible, what are the advantages and disadvantages? **5 marks**

4. A personal question

The CEO of the group also owns a separate company jointly with his wife. He states that he is building an extension on his house. He has decided to take a loan out from this company. He is unlikely to pay it back for at least two years. **Please advise him on the following:**

- Are there any tax implications on this loan?
- Would it make a difference if he paid interest on this loan?

5 marks

Question 6

EuroTax LLP

You are a Tax Manager working for EuroTax LLP. One of the partners, who is not a tax specialist, has recently gained two new clients.

The first consists of a UK tax resident company, Medical Equip Ltd (MEL). MEL manufactures medical equipment. It also sells equipment to unconnected third parties. However, due to concerns about product liability lawsuits certain sales are made to its two wholly owned subsidiaries, Sales Britain Ltd (SBL) and Sales Worldwide Ltd (SWL) who then resell the goods to customers. SBL Ltd is also UK tax resident. SWL is tax resident in Ruritania, a country which does not have a Double Taxation Treaty with the UK.

The consolidated turnover of the MEL group in the year ended 31 December 2009 was about €40m, worldwide employees were 200 and consolidated balance sheet assets were about €35m.

In the year ended 31 December 2009 MEL made sales of 100,000 units at an average price of £50 each to SBL. It also sold 200,000 units at an average price of £100 each to SWL. It is estimated that an average arm's length price for these units would be £75 and £150 respectively.

The second client, Central Ltd, buys commercial property, refurbishes it and sells it on. It also buys properties and lets them out to third parties. It has a small trading subsidiary, District Ltd, which provides cleaning and catering services to lessees and to which Central Ltd provides management services. Consolidated turnover of both companies is about €8m. Consolidated balance sheet assets are about €9m and there are 40 employees.

During the year ended 31 December 2009 Central Limited engaged in the following transactions:

In September 2009 it transferred a building purchased in June 2003 for £500,000 as an investment property to trading stock with a view to redeveloping it and selling it. The estimated market value of the property at the time of transfer was £900,000.

Write a briefing note for the partner:

1. Explaining the UK transfer pricing regime and its applicability to MEL Ltd and Central Ltd. **13 marks**
2. Explaining the use of an Advance Pricing Agreement **3 marks**
3. Commenting on the consequences for Corporation Tax purposes of the proposed transactions in Central Limited. Assume that Central Ltd pays tax at the full rate of 28%. **4 marks**

Do not discuss the VAT implications of the above transactions or the transfer pricing regime in relation to loan finance and interest

Question 7

Garage Inc

Kirk is a director and shareholder of Garage Inc, having been gifted 500 shares from his uncle in June 1980 and inherited a further 9,500 shares following the death of his father in May 2000. The value of the shares has fluctuated over the years with a sterling value per share as follows:

April 1960	£1
June 1980	£20
March 1982	£10
January 1990	£30
May 2000	£40

Kirk has recently received a cash offer of £100 per share for his shareholding in Garage Inc.

Kirk's parents were born in Utopia and helped found the family company Garage Inc in April 1960. Kirk's parents moved to Nirvana in 1962 to set up a branch of the company and Kirk was born in Nirvana later that year. Kirk's parents bought a property in Nirvana, but retained their old family home in Utopia which they visited frequently. In 1978 the family returned to Utopia and remained until 1982 when Kirk's parents retired to Nirvana. Kirk and his younger sister stayed on in Utopia to run Garage Inc.

In January 1990 Kirk came to the UK to establish a further branch. Kirk only intended to stay for two years, but following his marriage to a local girl in 1992, he has remained until the present day. Kirk and his wife Rebecca have two children, both born in the UK and currently being educated in the UK. Kirk and Rebecca jointly own their UK property and spend most of their holidays at the old family home in Utopia. Kirk is unsure of his own retirement plans and what he will do should he accept the offer to sell.

You are required to:

1. **Compute** the potential capital gain should Kirk accept the cash offer. **3 marks**
2. **Comment** on Kirk's domicile status and what actions he may wish to take to assist in an argument that he is not domiciled in the UK **12 marks**
3. **Advise** on the tax consequences if Kirk is eligible to and claims the remittance basis of taxation **5 marks**

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Tax Tables

INCOME TAX	2009-10	2008-09
Rates	%	%
Starting rate for savings income ^{(1) (2)}	10	10
Basic rate ⁽³⁾	20	20
Higher rate ⁽³⁾	40	40
Trust rate	40	40
	£	£
Savings income starting rate band ^{(1) (2)}	1 – 2,440	1 – 2,320
Basic rate band	1 – 37,400	1 - 34,800
Standard rate band for trusts	1,000	1,000

- Notes**
- (1) Savings income is taxed at 10%, 20% or 40%.
 - (2) If an individual's taxable non-savings income exceeds £2,440, the 10% starting rate for savings will not apply.
 - (3) Dividend income is taxed at 10% up to the basic rate limit and at 32.5% thereafter.

Income Tax reliefs	2009-10	2008-09
	£	£
Personal allowance	6,475	6,035
– age 65–74	9,490	9,030
– age 75 or over	9,640	9,180
Married couple's allowance ^{(1) (2)}		
– age under 75	NA	6,535
– age 75 or over	6,965	6,625
– Maximum income before abatement of relief - £1 for £2	22,900	21,800
– Minimum allowance	2,670	2,540
Blind person's allowance	1,890	1,800
'Rent-a-room' limit	4,250	4,250
Enterprise investment scheme relief limit ⁽³⁾	500,000	500,000
Venture capital trust relief limit ⁽⁴⁾	200,000	200,000
Employer supported childcare	£55 per week	£55 per week

- Notes**
- (1) Relief restricted to 10%.
 - (2) Only available where at least one partner was born before 6 April 1935.
 - (3) Relief at 20%.
 - (4) Relief at 30%.

Pension contributions

	Annual allowance	Lifetime allowance
	£	£
2006-07	215,000	1,500,000
2007-08	225,000	1,600,000
2008-09	235,000	1,650,000
2009-10	245,000	1,750,000
2010-11 to 2015-16	255,000	1,800,000

Basic amount qualifying for tax relief £3,600

Company cars and fuel

Car benefit 15% of list price for cars emitting 135g/km, increased by 1% per 5g/km over the limit
Capped at 35% of list price
10% of list price for cars emitting 120g/km or less
3% supplement on diesel cars
Fuel benefit - £16,900 multiplied by the percentage used in calculating the car benefit (ie based on CO₂ emission rating)

Van benefit

£3,000
Fuel benefit - £500

ITEPA Mileage Rates**2009-10 and 2008-09**

Car or van ⁽¹⁾	First 10,000 business miles	40p
	Additional business miles	25p
Motorcycles		24p
Bicycles		20p
Passenger payments		5p

Note (1) For NIC purposes, a rate of 40p applies irrespective of mileage.

Official rate of interest	2009-10	2008-09
	4.75%	6.10%

VALUE ADDED TAX

	From 1.1.10	1.12.08 to 31.12.09	To 30.11.08
Standard rate	17½%	15%	17½%
VAT fraction	7/47	3/23	7/47

Limits	From 1.5.09	1.4.08 to 30.4.09
Annual registration limit	£68,000	£67,000
De-registration limit	£66,000	£65,000

Thresholds	Cash accounting	Annual accounting
Turnover threshold to join scheme	£1,350,000	£1,350,000
Turnover threshold to leave scheme	£1,600,000	£1,600,000

CAPITAL ALLOWANCES

	6.4.09 – 5.4.10⁽¹⁾	6.4.08 – 5.4.09⁽¹⁾
Annual investment allowance (AIA) ⁽²⁾	100%	100%
First year allowance (FYA) ⁽³⁾	40%	N/A
WDA on plant and machinery in main pool ⁽⁴⁾	20%	20%
WDA on plant and machinery in special rate pool ⁽⁵⁾	10%	10%
Writing down allowance on patent rights and know-how	25%	25%

Notes (1) Dates for companies are 1 April - 31 March.

(2) 100% on the first £50,000 of investment in plant and machinery (except cars).

(3) A FYA is available for expenditure in the main pool. FYA is given after the AIA.

(4) A rate of 20% applies to cars with CO₂ emissions greater than 110g/km but not more than 160 g/km acquired on or after 6 April 2009 (1 April for companies).

(5) A rate of 10% applies to cars with CO₂ emissions greater than 160 g/km acquired on or after 6 April 2009 (1 April for companies).

(6) Cars acquired prior to 6 April 2009 (1 April for companies) continue to be written down based on cost rather than emissions.

100% First year allowances available to all businesses

- 1) New energy saving plant and machinery, and water efficient plant and machinery.
- 2) New cars registered between 16 April 2002 and 31 March 2013 if the car either emits not more than 110 g/km (120g/km prior to 1 April 2008) of CO₂ or it is electrically propelled.
- 3) Renovation or conversion of vacant business premises, in a designated Enterprise Area, for the purpose of bringing those premises back into business use.
- 4) Converting or renovating an empty or under-used space above a commercial property into qualifying residential accommodation.
- 5) Capital expenditure incurred by a person on research and development.

CORPORATION TAX

Financial year	2009	2008
Full rate	28%	28%
Small companies' rate	21%	21%
Profit limit for small companies' rate	£300,000	£300,000
Profit limit for small companies' marginal relief	£1,500,000	£1,500,000
Marginal relief fraction for profits between £300,000 and £1,500,000	7/400	7/400

Research and development expenditure

	SMEs	
	From 1.8.08	From 1.1.05
Employees - less than	500	250
Turnover - not more than	€100m	€50m
Balance sheet assets - not more than	€86m	€43m

SMEs must meet the employees criteria and either the turnover or the balance sheet assets criteria.

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 contributions	2009-10			2008-09		
	Annual	Monthly	Weekly	Annual	Monthly	Weekly
Lower earnings limit	£4,940	£412	£95	£4,680	£390	£90
Earnings threshold	£5,715	£476	£110	£5,435	£453	£105
Upper accruals point	£40,040	£3,337	£770	N/A	NA	N/A
Upper earnings limit	£43,875	£3,656	£844	£40,040	£3,337	£770

Employee's contributions in 2009-10 (2008-09)

Not contracted out:	11% (11%) on earnings between £110 (£105) and £844 (£770) 1% (1%) above £844 (£770) per week
Contracted out:	9.4% (9.4%) on earnings between £110 (£105) and £770 (NA) 11% (NA) on earnings between £770 (NA) and £844 (NA) 1% (1%) on earnings above £844 (£770) per week 1.6% rebate on earnings between £95 (£90) and £110 (£105)

Employer's contributions in 2009-10 (2008-09)

Not contracted out:	12.8% (12.8%) on earnings in excess of £110 (£105)
Contracted out:	
Salary related:	9.1% (9.1%) on earnings between £110 (£105) and £770 (£770) 12.8% (12.8%) on earnings in excess of £770 (£770) 3.7% (3.7%) rebate on earnings between £95 (£90) and £110 (£105)
Money purchase:	11.4% (11.4%) on earnings between £110 (£105) and £770 (£770) 12.8% (12.8%) on earnings in excess of £770 (£770) 1.4% (1.4%) rebate on earnings between £95 (£90) and £110 (£105)

	2009-10	2008-09
Class 1A contributions	12.8%	12.8%
Class 1B contributions	12.8%	12.8%
Class 2 contributions		
Normal rate	£2.40 pw	£2.30 pw
Small earnings exception	£5,075 pa	£4,825 pa
Class 3 contributions	£12.05 pw	£8.10 pw
Class 4 contributions		
Annual lower earnings limit (LEL)	£5,715	£5,435
Annual upper earnings limit (UEL)	£43,875	£40,040
Percentage rate between LEL and UEL	8%	8%
Percentage rate above upper earnings limit	1%	1%

CAPITAL GAINS TAX**2009-10****2008-09**

Annual exempt amount

£10,100

£9,600

CGT rate for individuals and trusts

18%

18%

Entrepreneurs' relief: Disposals in 2009-10 (and 2008-09)

Relevant gains (lifetime maximum)

£1,000,000

Reducing fraction

4/9

Lease percentage table

Years	Percentage	Years	Percentage	Years	Percentage
50 or more	100.000	33	90.280	16	64.116
49	99.657	32	89.354	15	61.617
48	99.289	31	88.371	14	58.971
47	98.902	30	87.330	13	56.167
46	98.490	29	86.226	12	53.191
45	98.059	28	85.053	11	50.038
44	97.595	27	83.816	10	46.695
43	97.107	26	82.496	9	43.154
42	96.593	25	81.100	8	39.399
41	96.041	24	79.622	7	35.414
40	95.457	23	78.055	6	31.195
39	94.842	22	76.399	5	26.722
38	94.189	21	74.635	4	21.983
37	93.497	20	72.770	3	16.959
36	92.761	19	70.791	2	11.629
35	91.981	18	68.697	1	5.983
34	91.156	17	66.470	0	0.000

Retail Prices Index

Where Retail Price Indices are required, it should be assumed that they are as follows.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1982	—	—	79.44	81.04	81.62	81.85	81.88	81.90	81.85	82.26	82.66	82.51
1983	82.61	82.97	83.12	84.28	84.64	84.84	85.30	85.68	86.06	86.36	86.67	86.89
1984	86.84	87.20	87.48	88.64	88.97	89.20	89.10	89.94	90.11	90.67	90.95	90.87
1985	91.20	91.94	92.80	94.78	95.21	95.41	95.23	95.49	95.44	95.59	95.92	96.05
1986	96.25	96.60	96.73	97.67	97.85	97.79	97.52	97.82	98.30	98.45	99.29	99.62
1987	100.0	100.4	100.6	101.8	101.9	101.9	101.8	102.1	102.4	102.9	103.4	103.3
1988	103.3	103.7	104.1	105.8	106.2	106.6	106.7	107.9	108.4	109.5	110.0	110.3
1989	111.0	111.8	112.3	114.3	115.0	115.4	115.5	115.8	116.6	117.5	118.5	118.8
1990	119.5	120.2	121.4	125.1	126.2	126.7	126.8	128.1	129.3	130.3	130.0	129.9
1991	130.2	130.9	131.4	133.1	133.5	134.1	133.8	134.1	134.6	135.1	135.6	135.7
1992	135.6	136.3	136.7	138.8	139.3	139.3	138.8	138.9	139.4	139.9	139.7	139.2
1993	137.9	138.8	139.3	140.6	141.1	141.0	140.7	141.3	141.9	141.8	141.6	141.9
1994	141.3	142.1	142.5	144.2	144.7	144.7	144.0	144.7	145.0	145.2	145.3	146.0
1995	146.0	146.9	147.5	149.0	149.6	149.8	149.1	149.9	150.6	149.8	149.8	150.7
1996	150.2	150.9	151.5	152.6	152.9	153.0	152.4	153.1	153.8	153.8	153.9	154.4
1997	154.4	155.0	155.4	156.3	156.9	157.5	157.5	158.5	159.3	159.5	159.6	160.0
1998	159.5	160.3	160.8	162.6	163.5	163.4	163.0	163.7	164.4	164.5	164.4	164.4
1999	163.4	163.7	164.1	165.2	165.6	165.6	165.1	165.5	166.2	166.5	166.7	167.3
2000	166.6	167.5	168.4	170.1	170.7	171.1	170.5	170.5	171.7	171.6	172.1	172.2
2001	171.1	172.0	172.2	173.1	174.2	174.4	173.3	174.0	174.6	174.3	173.6	173.4
2002	173.3	173.8	174.5	175.7	176.2	176.2	175.9	176.4	177.6	177.9	178.2	178.5
2003	178.4	179.3	179.9	181.2	181.5	181.3	181.3	181.6	182.5	182.6	182.7	183.5
2004	183.1	183.8	184.6	185.7	186.5	186.8	186.8	187.4	188.1	188.6	189.0	189.9
2005	188.9	189.6	190.5	191.6	192.0	192.2	192.2	192.6	193.1	193.3	193.6	194.1
2006	193.4	194.2	195.0	196.5	197.7	198.5	198.5	199.2	200.1	200.4	201.1	202.7
2007	201.6	203.1	204.4	205.4	206.2	207.3	206.1	207.3	208.0	208.9	209.7	210.9
2008	209.8	211.4	212.1	214.0	215.1	216.8	216.5	217.2	218.4	217.7	216.0	212.9
2009	210.1	211.4	211.3	210.8*	210.3*	209.8*	209.3*	208.8*	208.3*	207.9*	207.5*	207.2*
2010*	206.8	206.5	206.2	205.9	205.7	205.5	205.4	205.4	205.5	205.6	205.7	205.9

* = assumed

STAMP DUTY / STAMP DUTY RESERVE TAX

Shares 0.5%

Stamp duty land tax

Rate (%)

	Residential	Non-residential
Zero	Up to £125,000 ⁽¹⁾⁽²⁾	Up to £150,000 ⁽³⁾
1	Over £125,000 ⁽¹⁾⁽²⁾ - 250,000	Over £150,000 - 250,000
3	Over £250,000 - 500,000	Over £250,000 - 500,000
4	Over £500,000	Over £500,000

- Note**
- (1) A higher threshold of £150,000 applies to transactions in residential land in disadvantaged areas.
 - (2) From 3.9.08 to 31.12.09 a higher threshold of £175,000 applies unless it is a lease for less than 21 years.
 - (3) For non-residential property, where the land is a grant of a lease, the zero rate band is not available if annual rent exceeds £1,000.

New leases - Stamp duty land tax on rent

Rate (%)

	Net present value of rent	
	Residential	Non-residential
Zero	Up to £125,000 ⁽¹⁾	Up to £150,000
1%	Excess over £125,000 ⁽¹⁾	Excess over £150,000

- Notes**
- (1) The higher threshold of £175,000 applies between 3.9.08 and 31.12.09 (unless the lease is for less than 21 years), however if exceeded SDLT is payable on the excess over £125,000.

INHERITANCE TAX

	Nil rate band		Nil rate band
6 April 1996 – 5 April 1997	up to £200,000	6 April 2003 – 5 April 2004	up to £255,000
6 April 1997 – 5 April 1998	up to £215,000	6 April 2004 – 5 April 2005	up to £263,000
6 April 1998 – 5 April 1999	up to £223,000	6 April 2005 – 5 April 2006	up to £275,000
6 April 1999 – 5 April 2000	up to £231,000	6 April 2006 – 5 April 2007	up to £285,000
6 April 2000 – 5 April 2001	up to £234,000	6 April 2007 – 5 April 2008	up to £300,000
6 April 2001 – 5 April 2002	up to £242,000	6 April 2008 – 5 April 2009	up to £312,000
6 April 2002 – 5 April 2003	up to £250,000	From 6 April 2009	up to £325,000
Death rate	40%	Wedding gifts - Child	£5,000
Lifetime rate	20%	- Grandchild or remoter issue	£2,500
Annual exemption	£3,000	- Other party to marriage	£2,500
Small gifts	£250	- Other	£1,000

Taper relief

Death within 3 years of gift	Nil%
Between 3 and 4 years	20%
Between 4 and 5 years	40%
Between 5 and 6 years	60%
Between 6 and 7 years	80%

Quick succession relief

Period between transfers less than one year	100%
Between 1 and 2 years	80%
Between 2 and 3 years	60%
Between 3 and 4 years	40%
Between 4 and 5 years	20%

OTHER INDIRECT TAXES

		2009-10	2008-09
Insurance Premium Tax ⁽¹⁾	Standard rate	5%	5%
	Higher rate	17.5%	17.5%
Landfill Tax ⁽²⁾	Per tonne	£40	£32
	Qualifying material	£2.50 per tonne	£2.50 per tonne
Landfill Communities Fund (LCF)	Relief for 90% of qualifying contributions	6.0% × landfill tax liability	6.0% × landfill tax liability
Aggregates Levy ⁽²⁾	Per tonne	£2.00	£1.95
Climate Change Levy ⁽³⁾	Electricity	0.470p per kwh	0.456p per kwh
	Gas	0.164p per kwh	0.159p per kwh
	Liquid hydrocarbons	1.050p per kg	1.018p per kg
	Any other taxable commodity	1.281p per kg	1.242p per kg

- Notes**
- (1) Premium is tax inclusive – IPT is 1/21 or 7/47 of the premium.
 - (2) Pro rated for part tonnes.
 - (3) Where the reduced rate applies it is 20% of the rate shown in the table.