

Budget 2003

PN 08

9 April 2003

Inland Revenue rates and allowances for 2003-04

Rates and allowances for income tax, capital gains tax, inheritance tax, stamp taxes, national insurance contributions and the pension schemes earnings cap are set out below.

	2002-03 (£)	2003-04 (£)	Increase (£)
Income tax allowances			
Personal allowance	4,615	4,615	0
Personal allowance for people aged 65-74	6,100	6,610	510
Personal allowance for people aged 75 and over	6,370	6,720	350
Income limit for age-related allowances	17,900	18,300	400
Married couple's allowance for people born before 6 April 1935	5,465	5,565	100
Married couple's allowance – aged 75 or more	5,535	5,635	100
Minimum amount of married couple's allowance	2,110	2,150	40
Blind person's allowance	1,480	1,510	30
Capital gains tax annual exempt amount:			
Individuals etc:	7,700	7,900	200
Other trustees:	3,850	3,950	100
Inheritance tax threshold	250,000	255,000	5,000
Pension schemes earnings cap	97,200	99,000	1,800
Taxable bands 2002-03 (£)		Taxable bands 2003-04 (£)	
Starting rate 10 per cent	0 – 1,920	Starting rate 10 per cent	0-1,960
Basic rate 22 per cent	1,921 – 29,900	Basic rate 22 per cent	1,961-30,500
Higher rate 40 per cent	Over 29,900	Higher rate 40 per cent	Over 30,500
Corporation tax profits 2002-03 (£)		Corporation tax profits 2003-04 (£)	
Starting rate zero	0 – 10,000	Starting rate zero	0 – 10,000
Marginal relief	10,001 – 50,000	Marginal relief	10,001 – 50,000
Small companies' rate 19 per cent	50,001 – 300,000	Small companies' rate 19 per cent	50,001 – 300,000
Marginal relief	300,001 – 1,500,000	Marginal relief	300,001 – 1,500,000
Main rate 30 per cent	1,500,001 or more	Main rate 30 per cent	1,500,001 or more

The main rate of corporation tax for 2004-05 will be 30%.

National insurance contributions

Rates previously announced in Budget 2002 and 2002 pre-budget report.

Item	2003-04
Lower earnings limit, primary Class 1	£77 per week
Upper earnings limit, primary Class 1	£595 per week
Primary threshold	£89 per week
Secondary threshold	£89 per week
Employees' primary Class 1 rate	11% of £89.01 to £595 per week 1% above £595 per week
Employees' contracted-out rebate	1.6 per cent
Married women's reduced rate	4.85% of £89.01 to £595 per week 1% above £595 per week
Employers' secondary Class 1 rate	12.8% above £89 per week
Employers' contracted-out rebate, salary-related schemes	3.5 per cent
Employers' contracted-out rebate, money-purchase schemes	1.0 per cent
Class 2 rate	£2.00 per week
Class 2 small earnings exception	£4,095 per year
Special Class 2 rate for share fishermen	£2.65 per week
Special Class 2 rate for volunteer development workers	£3.85 per week
Class 3 rate	£6.95 per week
Class 4 lower profits limit	£4,615 per year
Class 4 upper profits limit	£30,940 per year
Class 4 rate	8% of £4,615 to £30,940 per year 1% above £30,940 per year

Stamp taxes from Budget day to 30 November 2003

Transfers of property (consideration paid)

Rate (%)	All property	Disadvantaged areas	
		Residential	Non-residential
Zero	£0 - 60,000	£0 - 150,000	All
1	Over £60,000 - 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	

New leases (lease duty)

Duty on rent

Term	Rate of charge on average annual rent
Not exceeding 7 years	1 per cent *
More than 7 years but not exceeding 35 years	2 per cent
More than 35 years but not exceeding 100 years	12 per cent
More than 100 years	24 per cent

* applies only where the rent exceeds £5,000 per annum

Duty on **premium** is the same as for transfers of property (except special rules apply for premium where rent exceeds £600 annually)

Stamp taxes from 1 December 2003 (implementation of stamp duty land tax)

Transfers of property (consideration paid)

Rate (%)	All land in the UK		Land in disadvantaged areas	
	Residential	Non-residential	Residential	Non-residential
Zero	£60,000	£150,000	£150,000	All
1	Over £60,000 – 250,000	Over £150,000 – 250,000	Over £150,000 – 250,000	
3	Over £250,000 – 500,000	Over £250,000 – 500,000	Over £250,000 – £500,000	
4	Over £500,000	Over £500,000	Over £500,000	

Property that is not land, shares or interests in partnerships will no longer be subject to stamp duty.

New leases

Proposed duty on rent*

Rate (%)	Net present value of rent	
	Residential	Non-residential
Zero	£0 - £60,000	£0 - £150,000
1%	Over £60,000	Over £150,000

*Subject to consultation

Duty on **premium** is the same as for transfers of land (except special rules apply for premium where rent exceeds £600 annually).

The rate of **stamp duty/stamp duty reserve tax** on the **transfer of shares and securities** is unchanged at 0.5 per cent for 2003-04.

Notes for editors

Income tax rates and allowances

The Chancellor has today announced that, for 2003-04, the income tax bands will increase by indexation and that there will be no change in income tax rates.

As announced in Budget 2002, for 2003-04, the income tax personal allowance for those aged under 65 will be frozen. The personal allowance for those aged 65-74 will be increased above inflation to £6,610, and for those aged 75 or over it will be increased to £6,720. This means that no one 65 or over will pay tax unless their income reaches £127 per week. Other allowances will be increased by indexation.

The rate of tax applicable to savings income in section 1A, ICTA 1988, other than dividends, is 20 per cent for income falling between the starting rate and basic rate limits. The rates of tax applicable to dividends are 10 per cent for income below the basic rate limit and 32.5 per cent above it.

The rate of relief for the continuing married couple's allowance and maintenance relief for people born before 6 April 1935 is 10 per cent.

National insurance contributions

National insurance (NIC) rates and thresholds for 2003-04 were announced in Budget 2002 and the 2002 Pre Budget Report. The primary and secondary thresholds will be frozen, along with the rate of Class 2 contributions. Other national insurance limits have been increased in line with inflation.

Employers will pay 1 per cent more NICs on earnings above the secondary threshold. All employees will pay an additional 1 per cent on their earnings above the primary threshold up to the upper earnings limit. They will also pay NICs at 1 per cent on earnings above the upper earnings limit. This one per cent increase is purely to fund extra resources for the NHS.

The self-employed will pay an additional 1 per cent Class 4 contributions on their profits or gains between the lower profits limit and upper profits limit. They will also pay Class 4 NICs at 1 per cent on all profits or gains above the upper profits limit.

Capital gains tax (CGT)

The annual exempt amount is set at £7,900 for the tax year 2003-04 for individuals, personal representatives of deceased persons, trustees of certain settlements for the disabled, and £3,950 for most other trustees. For individuals, the amount chargeable to CGT is added to the income liable to income tax and is treated as the top part of that total. CGT is charged at the following rates: below the starting rate limit at 10 per cent, between the starting rate limit and basic rate limit at 20 per cent, and above the basic rate limit at 40 per cent.

Rates for trusts

The rate applicable to trusts remains unchanged at 34 per cent for 2003-04 and the Schedule F trust rate remains unchanged at 25 per cent.

Inheritance tax

The value of estates above the threshold is taxed at 40 per cent. The threshold is being increased by statutory indexation to £255,000 for taxable transfers in 2003 - 04. The estimated number of taxpaying estates in 2003-04 will be about 29,500. This is around 5 in 100 deaths.

Pension schemes earnings cap

The main effect of the cap is to set a ceiling on the contributions that can be paid to, and the benefits that can be paid by, tax approved pension schemes. It generally applies to people who contribute to a personal pension scheme, joined an occupational scheme set up since 14 March 1989, or joined any occupational scheme from 1 June 1989 that was set up before 14 March 1989. From 6 April 2001 the cap applied to people who contribute to stakeholder pension schemes. For 2003-04 the cap is increased to £99,000.

Corporation tax

The corporation tax main rate is 30 per cent. The small companies' rate is 19 per cent for companies with taxable profits between £50,000 and £300,000 and the starting rate is zero for companies with taxable profits of £10,000 or below.

Marginal relief eases the transition from the starting rate to the small companies' rate for companies with profits between £10,000 and £50,000. The fraction used in the calculation of this marginal relief will be $19/400$. Marginal relief also applies to companies with profits between £300,000 and £1,500,000. The fraction used in the calculation of this marginal relief will be $11/400$.

The profits limits may be reduced for a company that is part of a group or has associated companies. The lower rates and marginal reliefs do not apply to close investment holding companies.

Stamp taxes

From midnight on Budget day stamp duty on non-residential land and buildings is removed altogether in around 2000 disadvantaged areas. People investing in residential land and buildings in disadvantaged areas will continue to benefit from an exemption from stamp duty where the consideration does not exceed £150,000. The Inland Revenue is today publishing a Statement of Practice on the definition of residential property for the purposes of this relief.

Currently, **stamp duty on leases** (often called "lease duty") is calculated by reference to the average annual rent. From 1 December 2003 (the implementation of stamp duty land tax), the proposed charge is to be based on the net present value (NPV) of all the rental payments due over the term of the lease.

Further details of changes to stamp duty on land are set out in the separate press release, PN 04.

HM Treasury Press Office

Press enquiries: 020 7270 5238

Non-media enquiries: 020 7270 4558

Inland Revenue Press Office

Press enquiries: 020 7438 6692 / 6706 / 7327 (out of hours: 07860 359544)

Non-media enquiries: 020 7944 3000 (office hours only)

HM Customs and Excise Press Office

Press enquiries: 020 7865 4751 / 5472 (out of hours: 020 7620 1313)

Government department internet sites

Further information and all published documents relating to the Budget may be found on the Internet at the following addresses:

HM Treasury www.hm-treasury.gov.uk

Inland Revenue www.inlandrevenue.gov.uk

HM Customs and Excise www.hmce.gov.uk