

# INCOME TAX

## RATES OF TAX

2021/2022

|  |                        |
|--|------------------------|
| Starting rate of 0% on savings income up to* | £5,000                 |
| Personal Savings Allowance                   |                        |
| Basic rate                                   | £1,000                 |
| Higher rate                                  | £500                   |
| Basic rate of 20%                            | £0 to £37,700          |
| Higher rate of 40%                           | £37,701<br>to £150,000 |
| Additional rate of 45%                       | £150,001 and over      |

*\*For other income less than £17,570 only. The starting rate for savings is a maximum of £5,000.*

|                           |        |
|---------------------------|--------|
| Dividend Allowance        | £2,000 |
| Dividend tax rates        |        |
| Basic rate                | 7.5%   |
| Higher rate               | 32.5%  |
| Additional rate           | 38.1%  |
| Trusts                    |        |
| Standard rate band        | £1,000 |
| Rate applicable to trusts |        |
| - Dividends               | 38.1%  |
| - other income            | 45%    |

## MAIN PERSONAL ALLOWANCES AND RELIEFS

|  |          |
|--|----------|
| Income limit for Personal Allowance §          | £100,000 |
| Personal Allowance (basic) §                   | £12,570  |
| Marriage Allowance                             | £1,260   |
| Rent-a-room scheme - tax-free income allowance | £7,500   |

*§ Reduced allowance of £1 for every £2 of adjusted net income over and above £100,000*

## NATIONAL INSURANCE CONTRIBUTIONS

| Class 1 Employee           | per week |
|----------------------------|----------|
| Lower Earnings Limit (LEL) | £120     |
| Primary threshold          | £184     |
| Upper Earnings Limit (UEL) | £967     |

| Class 1                            | Employee | Employer |
|------------------------------------|----------|----------|
| NICs rate                          | 12%      | 13.8%    |
| No NICs on the first (per week)*   | £184     | £170**   |
| NICs rate charged up to (per week) | £967     | No limit |
| 2% NIC charged on earnings over    | £967     | n/a      |

\*This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £120 per week. This £120 to £184 band is a zero rate band introduced in order to protect lower earners' rights to contributory State benefits e.g. the new State Pension.

\*\* Secondary earnings threshold.

|                                |   |
|--------------------------------|---|
| <b>Class 2 (self-employed)</b> | Flat rate per week £3.05 where profits exceed £6,515 per annum.           |
| <b>Class 3 (voluntary)</b>     | Flat rate per week £15.40.  |
| <b>Class 4 (self-employed)</b> | 9% on profits between £9,568 and £50,270.<br>2% on profits above £50,270. |

## CAPITAL GAINS TAX

| TAX RATES   | 2021/2022  |
|---|------------|
| Individuals:  |            |
| Up to basic rate limit                                  | 10%        |
| Above basic rate limit                                  | 20%        |
| Surcharge for residential property and carried interest | 8%         |
| Trustees and Personal Representatives                   | 20%        |
| Business Asset Disposal Relief* – Gains taxed at:       | 10%        |
| Lifetime limit  | £1,000,000 |

\*For trading businesses and companies (minimum 5% employee or director shareholding) held for at least two years.

### EXEMPTIONS

|   |         |
|---|---------|
| Individuals, estates etc  | £12,300 |
| Trusts generally  | £6,150  |
| Chattels proceeds (restricted to five thirds of proceeds exceeding limit) | £6,000  |

# PENSIONS

2021/2022

|                                 |            |
|---------------------------------|------------|
| Lifetime Allowance              | £1,073,100 |
| Annual Allowance*               | £40,000    |
| Money Purchase Annual Allowance | £4,000     |

\* Tapered by £1 for every £2 of 'adjusted income' over £240,000 to a minimum of £4,000 if 'threshold income' is also over £200,000.

# INHERITANCE TAX

## RATES OF TAX ON TRANSFERS

2021/2022

|  |     |
|--|-----|
| Transfers made on death  |     |
| - Up to £325,000   | Nil |
| - Excess over £325,000   | 40% |
| - Reduced rate (where appropriate charitable contributions are made) | 36% |
| Chargeable lifetime transfers to trusts                              | 20% |

## MAIN EXEMPTIONS

|  |          |
|--|----------|
| Transfers to   |          |
| - UK-domiciled spouse/civil partner                                | No limit |
| - non-UK-domiciled spouse/civil partner (from UK-domiciled spouse) | £325,000 |
| - main residence nil-rate band*                                    | £175,000 |
| - UK-registered charities  | No limit |

\* Available for estates up to £2,000,000 and then tapered at the rate of £1 for every £2 in excess until fully extinguished.

|                              |        |
|------------------------------|--------|
| Lifetime transfers           |        |
| - Annual exemption per donor | £3,000 |
| - Small gifts exemption      | £250   |

|                                    |        |
|------------------------------------|--------|
| Wedding/civil partnership gifts by |        |
| - Parent                           | £5,000 |
| - Grandparent/bride or groom       | £2,500 |
| - other person                     | £1,000 |

100% relief: businesses, unlisted/AIM companies, certain farmland/building

50% relief: certain other business assets

Reduced tax charge on gifts within 7 years of death:

|                           |      |     |     |     |     |
|---------------------------|------|-----|-----|-----|-----|
| - Years before death      | 0-3  | 3-4 | 4-5 | 5-6 | 6-7 |
| - Inheritance Tax payable | 100% | 80% | 60% | 40% | 20% |

Quick succession relief:

|                          |      |     |     |     |     |
|--------------------------|------|-----|-----|-----|-----|
| - Years since IHT paid   | 0-1  | 1-2 | 2-3 | 3-4 | 4-5 |
| - Inheritance Tax relief | 100% | 80% | 60% | 40% | 20% |

## CORPORATION TAX

2021/2022

Standard rate 19%

## VALUE ADDED TAX

2021/2022

Standard rate 20%  
Annual registration threshold £85,000  
Deregistration threshold £83,000

## STAMP DUTY LAND TAX

Residential

|                       |     |
|-----------------------|-----|
| Value up to £125,000  | 0%  |
| £125,001 - £250,000   | 2%  |
| £250,001 - £925,000   | 5%  |
| £925,001 - £1,500,000 | 10% |
| £1,500,001 and over   | 12% |

### Important Note regarding Stamp Duty Land Tax (SDLT) and residential property purchases:

- For purchases between 1 July 2021 and 30 September 2021, SDLT does not apply up to £250,000. For purchases above £250,000, the band rates above apply as normal.
- For purchases from 1 October 2021, the band rates above apply as normal.

### Additional SDLT rules still apply as below.

- Stamp Duty Land Tax (SDLT) is payable in England and Northern Ireland only. Land Transaction Tax (LTT) is payable in Wales and Land and Buildings Transaction Tax (LBTT) is payable in Scotland. The rates for LTT and LBTT are different to the rates shown above.
- Additional SDLT of 3% may apply to the purchase of additional residential properties purchased for £40,000 or greater.
- SDLT may be charged at 15% on interests in residential dwellings costing more than £500,000 purchased by certain corporate bodies or non-natural persons in some circumstances.
- First-time buyers benefit from SDLT relief on purchases up to £500,000 when purchasing their main residence. On purchases up to £300,000, no SDLT is payable. On purchases between £300,000 and £500,000, a flat rate of 5% is charged on the balance above £300,000.
- Additional rates of LBTT and LTT apply in Scotland and Wales respectively for the purchase of additional residential properties. First-time buyers benefit from LBTT relief in Scotland. There is no LTT relief for first-time buyers in Wales.

## MAIN SOCIAL SECURITY BENEFITS

2021/2022

|                             |   |         |
|-----------------------------|---|---------|
| Child Benefit               | First child                               | £21.15  |
|                             | Subsequent children                       | £14.00  |
|                             | Guardian's allowance                      | £18.00  |
| Basic State Pension         | Single                                    | £137.60 |
|                             | Married                                   | £275.20 |
| the new State Pension       | Single                                    | £179.60 |
| Pension Credit              | Single person standard minimum guarantee  | £177.10 |
|                             | Married couple standard minimum guarantee | £270.30 |
| Bereavement Support Payment | Higher rate - lump sum                    | £3,500  |
|                             | Higher rate - monthly payment             | £350    |
|                             | Standard rate – lump sum                  | £2,500  |
|                             | Standard rate – monthly payment           | £100    |

Copyright ©2021 The Chartered Insurance Institute. All rights reserved.