



PRACTICE NOTE

PN 71/98

Date:

Budget 1999 Income Tax Proposals

In today's Budget speech, the "Minister for the Treasury, the Hon R L Corkill MHK announced various financial measures.

Income Tax Rates, Allowances And Thresholds

The Treasury Minister announced the following changes to apply with effect from the 1998/99 year of assessment commencing 6th April 1998 (bracketed figures are those applicable for 1997/98).

Personal allowances £

Single person 7,070 (6,800)

Married couple (combined) 14,140 (13,600)

Single parent addition 4,840 (4,650)

Blind person 1,940 (1,860)

Income tax rates %

Standard rate 15 (15)

Higher rate 20 (20)

Non-resident rate 20 (20)

Tax thresholds £

Single person 9,500 (9,270)

Married couple (combined) 19,000 (18,540)

Balance taxable at 20%

Benefits In Kind - Car Fuel

The cash equivalent of fuel provided by reason of a person's employment for a car made available for private use has been increased. The new rates, which take effect from, 6th April 1998 and are applicable for the 1998/99 year of assessment, are set out in the Income Tax (Car Fuel Benefits) Order 1998 (SD 118/98). They are as follows (bracketed figures are those applicable to 1997/98) :-

Table A

Cars with an internal combustion engine with one or more reciprocating pistons with an engine cylinder capacity as calculated for the purposes of the Licensing and Registration of Vehicles Act, 1985.

Cylinder Capacity	Cash Equivalent (£)
1400 or less	840 (800)
1401 - 2000	1060 (1010)
More than 2000	1570 (1490)

Table B

Cars Without A Cylinder Capacity	Cash Equivalent (£)
All models	1490 (1490)

NB: The tables of cash equivalents for cars made available by reason of employment and available for private use remain unchanged.

Benefits In Kind - Limits For Exemption

SD 448/89 the Income Tax (Benefits in Kind) (Exemptions) Order 1990 lists specific benefits up to certain limits which are exempt from Income Tax, and where the normal charging provisions of Section 2G Income Tax Act 1970 do not apply. (Practice Note 28/90 issued by the Income Tax Division on 26th February 1990 also refers to these limits.) The Income Tax (Benefits in Kind) (Exemptions) (Amendment) Order 1998 (SD 119/98) increases the following limits:-

Employers Providing a Christmas Party to Employees

The limit of £50 in article 2.(1)(h) of SD 448/89, regarding the provision of a Christmas party once a year, is increased to £100 with effect from 6th April 1998, the 1998/99 year of assessment.

Other Benefits

The limit of £100 in article 2.(1)(i) of SD 448/89, regarding the provision of any other benefits in aggregate in any year, is increased to £400 with effect from 6th April 1998, the 1998/99 year of assessment. NB. The whole of the benefits are charged if the limit is

exceeded. The Treasury Minister also announced that he would be reviewing an internal report by a working party of the Income Tax Liaison Committee regarding simplification of the benefit in kind system.

Payments On Retirement - Termination Payments

Section 48A (4) of the Income Tax Act 1970, gives Treasury the authority to vary the amount of termination payments which will not be charged to income tax. The Income Tax (Payments on Retirement) Order 1998 (SD 125/98) increases this amount from £20,000 to £30,000 with effect from 6th April 1998 and will apply to any payments made on or after that day. The Minister also announced that the legislation was being reviewed to eliminate potential abuse.

Private Medical Insurance

Sections 48C and 48D of the Income Tax Act 1970 were inserted by Section 7 of the Income Tax Act 1995, and introduced relief in respect of Private Medical Insurance Premiums, where one of the insured is at least 60 years of age, subject to certain restrictions. The prescribed maximum amount allowed as a deduction from total income in any year was set at £1,500. The Income Tax (Medical Insurance Relief) Regulations 1998 (SD 123/98) increases this limit to £1,800 with effect from 6th April 1998.

Nursing Expenses

Section 39B of the Income Tax Act 1970 was inserted by Section 6 of the Income Tax Act 1995, and introduced relief in respect of Nursing Expenses, subject to certain conditions and limits. The maximum deduction allowed in any case was limited to £5,000. The Income Tax (Nursing Expenses) Order 1998 (SD 124/98) increases the limit to £6,000 in any case with effect from 6th April 1998.

Class 4 National Insurance

The current rate of Class 4 National Insurance will remain at 6%. The annual limits of profits between which Class 4 contributions are paid will be raised to £7,310 and £25,220.

Limited Partnerships - Prescribed Application Fee For Status

The International Business (Fees, etc.) Regulations 1998 (SD 121/98) are made under the provisions of Sections 9 (2)(ii) and 13(1) of the International Business Act 1994. They increase the prescribed fee for Limited Partnership status from £300 to £400 with effect from 6th April 1998. The minimum tax charges regarding International Companies are also affected.

International Companies - Minimum Tax Charge

The International Business (Fees, etc.) Regulations 1998 (SD 121/98) are made under the provisions of Sections 9 (2)(ii) and 13(1) of the International Business Act 1994. They increase the minimum tax charges for international company status with effect from 6th April 1998. The charges are increased as follows (the original charges are shown in brackets) :-

Made on or before 5th August in the year* £1,200 (£300)

Made not later than 5th December in the year £2,400 (£600)

Made not later than 5th April in the year £3,600 (£1,200)

*This charge also applies to initial applications which are made within 30 days of commencing business.

International Limited Liability Companies - Prescribed Application Fee

The Limited Liability Companies (Income Tax) (Fee) Order 1998 (SD 122/98) is made under Section 39(2) of the Limited Liabilities Act 1996. It increases the prescribed fee for International Limited Liability Company status from £300 to £400 with effect from 6th April 1998.

Exempt Companies - Application Fees

The Income Tax (Exempt Companies) (Fees) (Amendment) Regulations 1998 (SD 120/98) increase the fees regarding application for Exempt status under Sections 3(2)(ii) and 3(3)(b), with effect from 6th April 1998, as follows (the original figures are shown in brackets) :-

Made on or before 30th June in the year* £400 (£300)

Made on or before 30th September in the year £1,200 (£1,000)

*This charge also applies to initial applications which are made within 30 days of the company commencing a business, first acquiring an asset or incurring a liability.

Late Applications

An application for exempt status, other than an application being made within 30 days of the commencement of business, must be made no later than 30th September in the year of assessment to which the application relates. A company which fails to apply for exempt status by 30th September may make application for international company status for the year. By concession the Division will as an alternative consider applications for exempt status made after this date, with the company being required to pay the fee commensurate with the International Company provisions. Where late application is made for exempt or international company status for a previous year of assessment, this may, depending on the mitigating circumstances in each case, also be permitted by concession. The fee payable in such cases will be the late application fee for international company status, £3,600.

Non-Residents Company Duty

The amount of duty which is payable under the Non-Resident Company Duty Act 1996 to the Chief Registrar is increased from £660 to £750 with effect from 1st June 1998. This duty is payable on delivery of a non-resident declaration or any annual return of a non-resident company.

Review Of Taxation Strategy

The Treasury Minister also announced the establishment of a focus group with private sector involvement to consider possible taxation changes and to make recommendations on proposals for a revised taxation strategy for the new Millennium.