

# Notes to the financial statements

## 8 Income tax expense

	2009 £m	2008 £m
Current tax expense		
Current year	171	173
Over provision in prior years	(25)	(9)
	<b>146</b>	164
Deferred tax expense		
Origination and reversal of temporary differences	24	(8)
Deferred tax rate change from 30% to 28%	-	(6)
Under provision in prior years	7	-
	<b>31</b>	(14)
<b>Total income tax expense in income statement</b>	<b>177</b>	<b>150</b>
Income tax expense on underlying profit <sup>1</sup>	158	151
Tax on items below:		
Profit on sale of properties	21	-
Financing fair value movements	(2)	(1)
Costs relating to approach from Delta Two	-	(2)
Fair value gain on other financial asset	-	2
<b>Total income tax expense in income statement</b>	<b>177</b>	<b>150</b>

<sup>1</sup> Tax charge attributable to underlying profit before tax.

The effective tax rate of 38.0 per cent (2008: 31.3 per cent) is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2009 £m	2008 £m
Profit before taxation	466	479
Income tax at UK corporation tax rate of 28.05% <sup>1</sup> (2008: 30%)	131	144
Effects of:		
Disallowed depreciation on UK properties	20	21
Non-deductible expenses	9	18
Investment property fair value movements	35	-
Capital losses utilised	-	(10)
Deferred tax rate change from 30% to 28%	-	(8)
Over provision in prior years	(18)	(15)
<b>Total income tax expense in income statement</b>	<b>177</b>	<b>150</b>

<sup>1</sup> The income tax rate of 28.05 per cent is slightly higher than the 28 per cent statutory tax rate due to the historic rate of 30 per cent applying between 23 March 2008 and 31 March 2008 inclusive.

From 1 April 2008, the UK corporate income tax rate applied to large companies changed to 28 per cent from 30 per cent.

Income tax charged or credited to equity during the year is as follows:

	2009 £m	2008 £m
Share-based payment tax recognised directly in equity		
Current tax payable	(3)	(5)
Current tax prior year under provision	3	-
Deferred tax asset	2	19
Deferred tax prior year over provision	(2)	(13)
Deferred tax rate change from 30% to 28%	-	1
Deferred tax losses associated with share-based payment tax deduction	-	8
	-	10
Deferred tax on items recognised directly in equity		
Actuarial (losses)/gains on defined benefit pension schemes	(253)	161
Available-for-sale financial assets fair value movements	(4)	3
Deferred tax rate change from 30% to 28% – defined benefit pension scheme	-	(10)
Deferred tax rate change from 30% to 28% – available-for-sale financial assets	-	(2)
	<b>(257)</b>	152
	<b>(257)</b>	<b>162</b>