

**1 Charge for 2014-15 and rates for that year**

Income tax is charged for the tax year 2014-15, and for that tax year –

- (a) the basic rate is 20%,
- (b) the higher rate is 40%, and
- (c) the additional rate is 45%.

**2 Basic rate limit for 2014-15**

- (1) For the tax year 2014-15 the amount specified in section 10(5) of ITA 2007 (basic rate limit) is replaced with “£31, 865”.
- (2) Accordingly section 21 of that Act (indexation of limits), so far as relating to the basic rate limit, does not apply for that tax year.

**3 Personal allowance for 2014-15 for those born after 5 April 1948**

- (1) For the tax year 2014-15 the amount specified in section 35(1) of ITA 2007 (personal allowance for those born after 5 April 1948) is replaced with “£10,000”.
- (2) Accordingly section 57 of that Act (indexation of allowances), so far as relating to the amount specified in section 35(1) of that Act, does not apply for that tax year.

**EXPLANATORY NOTE**

**INCOME TAX CHARGE AND RATES FOR 2014-15**

**SUMMARY**

1. This clause provides for income tax for the tax year 2014-15.

**DETAILS OF THE CLAUSE**

2. Section 1 provides for income tax for 2014-15 and provides the main rates of tax.

**BACKGROUND NOTE**

3. Income tax is an annual tax. It is for Parliament to impose income tax for a year.
4. This clause imposes a charge to income tax for the tax year 2014-15. It also provides the main rates of income tax for 2014-15: the 20 per cent basic rate, the 40 per cent higher rate and the 45 per cent additional rate.
5. If you have any questions about this change, or comments on the legislation, please contact Roopal Pujara on 03000 586462 (email: roopal.pujara@hmrc.gsi.gov.uk).

**EXPLANATORY NOTE**

**BASIC RATE LIMIT FOR 2014-15**

**SUMMARY**

1. This clause sets the amount of the basic rate limit for income tax at £31,865 for 2014-15.

**DETAILS OF THE CLAUSE**

2. Subsection (1) replaces the existing amount of the basic rate limit in section 10(5) of the Income Tax Act 2007 (£32,010) with £31,865 for 2014-15.

3. Subsection (2) disapplies the indexation provisions for the basic rate limit at section 21 Income Tax Act 2007 as far as it applies to section 10(5), for 2014-15.

**BACKGROUND NOTE**

4. An individual's taxable income is charged to tax at the basic rate of tax up to the basic rate limit.

5. The basic rate limit is subject to indexation (an annual increase based upon the percentage increase to the retail prices index). Parliament can over-ride the indexed amounts by a provision in the Finance Bill.

6. Budget 2013 announced that the basic rate limit will be set at £31,865 for 2014-15.

7. The table below sets out the amount of the basic rate limit for 2013-14, the indexed amount for 2014-15, and the amount specified by this clause for 2014-15.

2013-14	2014-15 indexed	2014-15 by this clause
£32,010	£33,100	£31,865

8. The effect of this clause is to override the indexed amount for the basic rate limit. This clause is part of a package of measures, together with a further clause that sets the personal allowance for 2014-15 for those born after 5 April 1948 in an amount above indexation.

9. If you have any questions about this change, or comments on the legislation, please contact Roopal Pujara on 03000 586462 (email: roopal.pujara@hmrc.gsi.gov.uk).

**EXPLANATORY NOTE**

**PERSONAL ALLOWANCE FOR 2014-15 FOR THOSE BORN AFTER 5 APRIL 1948**

**SUMMARY**

1. This clause sets the amount of the personal allowance for those born after 5 April 1948, for 2014-15.

**DETAILS OF THE CLAUSE**

2. Subsection (1) replaces the amount of the personal allowance for those born after 5 April 1948 in section 35(1) of the Income Tax Act 2007 (£9,440) with £10,000 for 2014-15.

3. Subsection (2) disapplies the indexation provisions for the personal allowance, at section 57 of the Income Tax Act 2007, for those born after 5 April 1948 for 2014-15.

**BACKGROUND NOTE**

4. An individual is entitled to a personal allowance for income tax. From 2013-14 the amount depends upon the individual's date of birth and income.

5. Income tax personal allowances are subject to indexation (an annual increase based upon the percentage increase to the retail prices index). Parliament can over-ride the indexed amounts by a provision in the Finance Bill.

6. Budget 2013 announced that the basic personal allowance will be increased to £10,000 in 2014-15.

7. The table below sets out the amount of personal allowance for 2013-14, the indexed amount for 2014-15 and the amount specified in this clause for 2014-15: for those born after 5 April 1948.

2013-14	2014-15 indexed	2014-15 by this clause
£9,440	£9,740	£10,000

8. The effect of this clause is to override the indexed amount for the personal allowance for those born after 5 April 1948. This clause is part of a package of measures together, with a further clause that sets the basic rate limit for 2014-15 in an amount below indexation.

9. If you have any questions about this change, or comments on the legislation, please contact Roopal Pujara on 03000 586462 (email: [roopal.pujara@hmrc.gsi.gov.uk](mailto:roopal.pujara@hmrc.gsi.gov.uk)).