HM Revenue & Customs

Blind person's allowance, married couple's allowance and income limit for 2015-16

Who is likely to be affected?

People who are entitled to the blind person's allowance, the married couple's allowance for those born before 6 April 1935, the personal allowance for those born before 6 April 1938 and are affected by the income limit, employers and pension providers.

General description of the measure

The measure increases the blind person's allowance, the married couple's allowance and the income limit for the personal allowance for those born before 6 April 1938 by the equivalent of "indexation" (the annual increase to income tax personal allowances and rate limits) based on the Retail Prices Index (RPI) rather than the Consumer Prices Index (CPI).

Policy objective

The measure delivers the Government's commitment made at Budget 2011.

Background to the measure

At Budget 2011, the Chancellor announced that *'once the personal allowance has reached £10,000, it will then increase by CPI in future years, starting from 2015-16'.* The personal allowance reached £10,000 in 2014-15. Subsequently, at Budget 2014, the Chancellor announced that the personal allowance will be increased to £10,500 for 2015-16.

Also announced at Budget 2011, was the intention to move the underlying basis for indexation for all direct taxes to the CPI. This transition began in April 2012.

In addition, it was announced at Budget 2011 that over the lifetime of this Parliament, blind person's allowance, the married couple's allowance and income limit for the higher personal allowances would continue to increase by reference to RPI.

Finance Act 2014 (FA 2014) changed the basis of indexation from RPI to CPI effective from 2015-16.

Detailed proposal

Operative date

This measure will have effect on and after 6 April 2015.

Current law

From 2015-16, section 35 of the Income Tax Act (ITA) 2007 provides the personal allowance for people born after 5 April 1938. Section 2 of FA 2014 sets this personal allowance at £10,500 for 2015-16 and disapplies the indexation provisions.

Section 37 ITA provides the personal allowance for people born before 6 April 1938. It is £10,660 and is not subject to indexation. The amount is subject to an income limit of £27,000 for 2014-15. Where an individual has an income above the limit, their allowance is reduced by £1 of allowance for every £2 above the income limit. Unless an individual's income is above £100,000, their personal allowance is not reduced below the amount of the allowance provided by section 35 of ITA.

Section 38 of ITA provides the amount of the blind person's allowance. It is £2,230 for 2014-15.

Section 43 of ITA provides the minimum amount of married couple's allowance. It is £3,140 for 2014-15.

Section 45 of ITA provides the maximum amount of married couple's allowance for marriages before 5 December 2005. Section 46 of ITA provides the maximum amount of married couple's allowance for marriages and civil partnerships on or after 5 December 2005. These amounts are £8,165 for 2014-15. These amounts are subject to an income limit of £27,000 for 2014-15. They are reduced by £1 for every £2 above the income limit, but only after any reduction to the individual's allowance provided by section 37 of ITA.

From 2015-16, section 57 ITA 2007 provides that the personal allowance for those born after the 5 April 1938, blind person's allowance, married couple's allowance and the income limit are subject to indexation. HM Treasury must make an order before the start of the new tax year to declare the indexed amounts.

Section 4 of FA 2014 changed the basis of indexation from the annual percentage increase in RPI to the September before the new tax year to the annual percentage increase in CPI to the September before the tax year. The change applies from 2015-16.

Proposed revisions

Legislation will be introduced in Finance Bill 2015 to increase, for 2015-16, blind person's allowance, the married couple's allowance and the income limit by amounts equivalent to RPI indexation and to override the indexation provisions in 57 ITA 2007. The table below shows the amounts that would have applied for 2015-16 based on CPI, and the amounts that will apply based on RPI.

	CPI indexation	RPI indexation
Blind person's allowance	2,260	2,290
Maximum amount of married couple's allowance	8,275	8,355
Minimum amount of married couple's allowance	3,180	3,220
Income limit	27,400	27,700

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	-	-5	-5	-5	negligible	negligible
	The Office for Budget Responsibility has included these numbers in its forecast.					
Economic impact	The measure is not expected to have any significant economic impacts.					
Impact on individuals, households and families	The measure ensures that for individuals entitled, for 2015-16 the allowances and income limits continue to be increased by RPI. The measure is not expected to have an impact on family formation, stability or breakdown.					
Equalities impacts	Compared to statutory CPI indexation, this measure provides a cash benefit to people entitled to blind person's allowance, people entitled to the married couple's allowance and those people born before 6 April 1938 who have incomes below above the income limit.					

Impact on business including civil society organisations	This measure is expected to have a negligible impact on businesses and civil society organisations.
	An individual's personal allowance is reflected in their Pay as You Earn (PAYE) tax code. Any changes to individuals' PAYE tax codes are a routine annual event for employers and pension providers. Non-routine changes are handled by HM Revenue and Customs (HMRC).
Operational impact (£m) (HMRC or other)	The impact on HMRC will be negligible. Changes to the amounts of personal allowances and rate limits are an annual requirement.
Other impacts	Other impacts have been considered and none have been identified.

Monitoring and evaluation

HMRC and HM Treasury do not anticipate that this measure could be evaluated separately from other personal allowance increases and benefit changes.

Further advice

If you have any questions about this change, please contact Paul Thomas on 03000 586524 (email: paul.thomas@hmrc.gsi.gov.uk).

1 **Charge and rates for 2015-16**

 (1) Income tax is charged for the year 2015-16.

 (2) For that tax year—
   (a) the basic rate is 20%,
   (b) the higher rate is 40%, and
   (c) the additional rate is 45%.

2 **Limits and allowances for 2015-16**

 (1) For the tax year 2015-16—
   (a) the amount specified in section 37(2) of ITA 2007 (income limit for personal allowance for those born before 6 April 1938) is replaced with "£27,700",
   (b) the amount specified in section 38(1) (blind person's allowance) is replaced with "£2,290",
   (c) the amount specified in section 43 ("minimum amount" for calculating tax reductions for married couples and civil partners) is replaced with "£3,220",
   (d) the amount specified in section 45(3)(a) (amount for calculating allowance in relation to marriages before 5 December 2005 where spouse is over 75) is replaced with "£8,355",
   (e) the amount specified in section 45(4) (income limit for calculating allowance in relation to marriages before 5 December 2005) is replaced with "£27,700",
   (f) the amount specified in section 46(3)(a) (amount for calculating allowance in relation to marriages and civil partnerships on or after 5 December 2005 where spouse or civil partner is over 75) is replaced with "£8,355", and
   (g) the amount specified in section 46(4) (income limit for calculating allowance in relation to marriages and civil partnerships on or after 5 December 2005) is replaced with "£27,700".

 (2) Accordingly, for that tax year section 57 of that Act (indexation of allowances), so far as relating to the amounts specified in sections 37(2), 38(1), 43, 45(3)(a), 45(4), 46(3)(a) and 46(4), does not apply.

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EXPLANATORY NOTE

INCOME TAX: CHARGE AND RATES FOR 2015-16

SUMMARY

1.   Clause [X] provides for income tax and sets the main rates for 2015-16.

DETAILS OF THE CLAUSE

2.   Subsection 1 provides for income tax for 2015-16.

3.   Subsection 2 sets the main rates of income tax for 2015-16.

BACKGROUND NOTE

4.   Income tax is an annual tax. It is for Parliament to impose income tax for a year.

5.   Clause [X] imposes the charge to income tax for 2015-16. It also sets the main rates of income tax for 2015-16: the 20% basic rate, the 40% higher rate and the 45 % additional rate.

6.   If you have any questions about this change, or comments on the legislation, please contact Paul Thomas on 03000 586524 (email: paul.thomas@hmrc.gsi.gov.uk).

EXPLANATORY NOTE

LIMITS AND ALLOWANCES FOR 2015-16

SUMMARY

1.   This clause sets the amount of blind person's allowance, the minimum amount of married couple's allowance and married couple's allowance for 2015-16. It also sets the income limits, above which the higher personal allowance for those born before 6 April 1938 begin and the married couple's allowance begin to be withdrawn.

DETAILS OF THE CLAUSE

2.   Subsection 1 sets the amount of the income limits, blind person's allowance, the minimum amount of married couple's allowance and married couple's allowance for 2015-16.

3.   Subsection 2 disapplies the indexation provisions for the amounts in subsection 1.

BACKGROUND NOTE

4.   From 2015-16, the basis of indexation for income tax allowances and rate limits is the consumer prices index (CPI). For 2015-16, this clause sets the amount of the income limits, blind person's allowance, minimum amount of married couple's allowance and married couple's allowance at the equivalent of indexation based on the retail prices index (RPI) instead of CPI.

5.   If you have any questions about this change, or comments on the legislation, please contact Paul Thomas on 03000 586524 (email: paul.thomas@hmrc.gsi.gov.uk).