



Income Tax Act 2007

2007 CHAPTER 3

PART 2

BASIC PROVISIONS

CHAPTER 1

CHARGES TO INCOME TAX

3 Overview of charges to income tax

(1) Income tax is charged under—

- (a) Part 2 of ITEPA 2003 (employment income),
- (b) Part 9 of ITEPA 2003 (pension income),
- (c) Part 10 of ITEPA 2003 (social security income),
- (d) Part 2 of ITTOIA 2005 (trading income),
- (e) Part 3 of ITTOIA 2005 (property income),
- (f) Part 4 of ITTOIA 2005 (savings and investment income), and
- (g) Part 5 of ITTOIA 2005 (miscellaneous income).

(2) Income tax is also charged under other provisions, including—

- (a) Chapter 5 of Part 4 of FA 2004 (registered pension schemes: tax charges),
- (b) section 7 of F(No.2)A 2005 (social security pension lump sums),
- (c) Part 10 of this Act (special rules about charitable trusts etc),
- (d) Chapter 2 of Part 12 of this Act (accrued income profits),^{F1}...
- (e) Part 13 of this Act (tax avoidance)^{F2}, and
- (f) Chapter 3A of Part 14 of this Act (banks etc in compulsory liquidation).]

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Textual Amendments

- F1** Word in s. 3(2) repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 7 para. 70\(a\), Sch. 10 Pt. 12](#) (with [Sch. 9 paras. 1-9, 22](#))
- F2** S. 3(2)(f) And word inserted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 7 para. 70\(b\)](#) (with [Sch. 9 paras. 1-9, 22](#))

4 Income tax an annual tax

- (1) Income tax is charged for a year only if an Act so provides.
- (2) A year for which income tax is charged is called a “tax year”.
- (3) A tax year begins on 6 April and ends on the following 5 April.
- (4) “The tax year 2007-08” means the tax year beginning on 6 April 2007 (and any corresponding expression in which two years are similarly mentioned is to be read in the same way).
- (5) Every assessment to income tax must be made for a tax year.
- (6) Subsection (5) is subject to Chapter 15 of Part 15 (by virtue of which an assessment may relate to a return period).

[^{F3}5] Income tax and companies

Section 3 of CTA 2009 disapplies the provisions of the Income Tax Acts relating to the charge to income tax in relation to income of a company (not accruing to it in a fiduciary or representative capacity) if—

- (a) the company is UK resident, or
- (b) the company is non-UK resident and [^{F4}it is chargeable to corporation tax in respect of the income, or would be so chargeable but for an exemption.]

Textual Amendments

- F3** S. 5 substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 1 para. 700](#) (with [Sch. 2 Pts. 1, 2](#))
- F4** Words in s. 5(b) substituted (6.4.2020) by [Finance Act 2019 \(c. 1\), Sch. 5 paras. 9, 35](#) (with [Sch. 5 para. 36](#))

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CHAPTER 2

RATES AT WHICH INCOME TAX IS CHARGED

The rates

6 The ^{F5}... basic rate [^{F6}, higher rate and additional rate]

(1) The main rates at which income tax is charged are—

- ^{F7}(a)
- (b) the basic rate, ^{F8}...
- (c) the higher rate [^{F9}, and
- (d) the additional rate.]

(2) The ^{F10}... basic rate [^{F11}, higher rate and additional rate] for a tax year are the rates determined as such by Parliament for the tax year.

^{F12}(2A)

^{F12}(2B)

^{F12}(2C)

(3) For other rates at which income tax is charged see—

- ^{F13}(za)
- [^{F14}(zb) section 6B (Welsh basic, higher and additional rates),]
- [^{F15}(zc) section 6C (default basic, higher and additional rates),]
- [^{F16}(a) section 7 (starting rate for savings [^{F17}and savings nil rate]),]
- [^{F18}(aa) section 7A (savings basic, higher and additional rates),]
- (b) section 8 ([^{F19}dividend nil rate,] dividend ordinary rate [^{F20}, dividend upper rate and dividend additional rate]), and
- (c) section 9 (trust rate and dividend trust rate).

[^{F21}(4) See also section 80C of the Scotland Act 1998 which makes provision for the purposes of section 11A (income charged at Scottish rates)]

Textual Amendments

- F5** Words in s. 6 heading omitted (21.7.2008 with effect in accordance with s. 5(6) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\), s. 5\(5\)](#)
- F6** Words in s. 6 heading substituted (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\), Sch. 2 para. 2\(3\)](#)
- F7** S. 6(1)(a) omitted (21.7.2008 with effect in accordance with s. 5(6) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\), s. 5\(2\)](#)
- F8** Word in s. 6(1)(b) omitted (with effect in accordance with s. 6(6) of the amending Act) by virtue of [Finance Act 2009 \(c. 10\), s. 6\(2\)](#)
- F9** S. 6(1)(d) and preceding word inserted (with effect in accordance with s. 6(6) of the amending Act) by [Finance Act 2009 \(c. 10\), s. 6\(2\)](#)
- F10** Words in s. 6(2) omitted (21.7.2008 with effect in accordance with s. 5(6) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\), s. 5\(3\)](#)
- F11** Words in s. 6(2) substituted (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\), Sch. 2 para. 2\(2\)](#)

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- F12** S. 6(2A)-(2C) omitted (with effect in accordance with Sch. 38 para. 12 of the amending Act) by virtue of Finance Act 2014 (c. 26), **Sch. 38 para. 2(a)**
- F13** S. 6(3)(za) omitted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by Scotland Act 2016 (c. 11), **ss. 13(14), 14(3)(15), 72(3)**; S.I. 2016/1161, **regs. 2, 3**
- F14** S. 6(3)(zb) inserted (24.7.2018) by Wales Act 2014 (c. 29), **ss. 9(2), 14, 29(4)**; S.I. 2018/892, art. 3 (with arts. 5, 6, 8)
- F15** S. 6(3)(zc) inserted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by Finance Act 2016 (c. 24), **s. 6(5)(a)(24)**; S.I. 2016/1161, **regs. 2, 3**
- F16** S. 6(3)(a) substituted (21.7.2008 with effect in accordance with s. 5(6) of the amending Act) by Finance Act 2008 (c. 9), **s. 5(4)**
- F17** Words in s. 6(3)(a) inserted (with effect for the tax year 2016-17 and subsequent years) by Finance Act 2016 (c. 24), **s. 4(2)(17)**
- F18** S. 6(3)(aa) inserted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by Finance Act 2016 (c. 24), **s. 6(5)(b)(24)**; S.I. 2016/1161, **regs. 2, 3**
- F19** Words in s. 6(3)(b) inserted (with effect for the tax year 2016-17 and subsequent years) by Finance Act 2016 (c. 24), **s. 5(2)(10)**
- F20** Words in s. 6(3)(b) substituted (with effect in accordance with s. 6(6) of the amending Act) by Finance Act 2009 (c. 10), **s. 6(3)**
- F21** S. 6(4) inserted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by Scotland Act 2016 (c. 11), **ss. 13(14), 14(4)(15), 72(3)**; S.I. 2016/1161, **regs. 2, 3**

^{F22}6A The Scottish basic, higher and additional rates

.....

Textual Amendments

- F22** S. 6A omitted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by Scotland Act 2016 (c. 11), **ss. 13(14), 14(5)(15), 72(3)**; S.I. 2016/1161, **regs. 2, 3**

[^{F23}6B The Welsh basic, higher and additional rates

- (1) The Welsh basic rate, the Welsh higher rate and the Welsh additional rate for a tax year are calculated as follows.

Step 1 Take the basic rate, higher rate or additional rate.

Step 2 Deduct 10 percentage points.

Step 3 Add the Welsh rate (if any) set by the National Assembly for Wales for that year for the purpose of calculating the Welsh basic rate, the Welsh higher rate or the Welsh additional rate (as the case may be).

- (2) For provision about the setting of the Welsh rates, see Chapter 2 of Part 4A of the Government of Wales Act 2006.]

Textual Amendments

- F23** S. 6B inserted (24.7.2018) by Wales Act 2014 (c. 29), **ss. 9(3), 14, 29(4)**; S.I. 2018/892, art. 3 (with arts. 5, 6, 8)

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[^{F24}6C The default basic, higher and additional rates

The default basic rate, default higher rate and default additional rate for a tax year are the rates determined as such by Parliament for the tax year.]

Textual Amendments

F24 S. 6C inserted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by [Finance Act 2016 \(c. 24\), s. 6\(3\)\(24\)](#); S.I. 2016/1161, [regs. 2, 3](#)

7 The starting rate for savings [^{F25}and savings nil rate]

[^{F26}(1)] The starting rate for savings is 0%.

[^{F27}(2)] The savings nil rate is 0%]

Textual Amendments

F25 Words in s. 7 heading inserted (with effect for the tax year 2016-17 and subsequent years) by [Finance Act 2016 \(c. 24\), s. 4\(3\)\(c\)\(17\)](#)

F26 S. 7 renumbered as s. 7(1) (with effect for the tax year 2016-17 and subsequent years) by [Finance Act 2016 \(c. 24\), s. 4\(3\)\(a\)\(17\)](#)

F27 S. 7(2) inserted (with effect for the tax year 2016-17 and subsequent years) by [Finance Act 2016 \(c. 24\), s. 4\(3\)\(b\)\(17\)](#)

[^{F28}7A The savings basic, higher and additional rates

The savings basic rate, savings higher rate and savings additional rate for a tax year are the rates determined as such by Parliament for the tax year.]

Textual Amendments

F28 S. 7A inserted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by [Finance Act 2016 \(c. 24\), s. 6\(4\)\(24\)](#); S.I. 2016/1161, [regs. 2, 3](#)

8 The [^{F29}dividend nil rate,] dividend ordinary rate[^{F30}, dividend upper rate and dividend additional rate]

[^{F31}(A1)] The dividend nil rate is 0%.]

(1) The dividend ordinary rate is [^{F32}8.75%].

(2) The dividend upper rate is [^{F33}33.75%].

[^{F34}(3)] The dividend additional rate is [^{F35}39.35%].]

Textual Amendments

F29 Words in s. 8 heading inserted (with effect for the tax year 2016-17 and subsequent years) by [Finance Act 2016 \(c. 24\), s. 5\(3\)\(a\)\(10\)](#)

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- F30** Words in s. 8 heading substituted (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\), Sch. 2 para. 3\(3\)](#)
- F31** S. 8(A1) inserted (with effect for the tax year 2016-17 and subsequent years) by [Finance Act 2016 \(c. 24\), s. 5\(3\)\(b\)\(10\)](#)
- F32** Word in s. 8(1) substituted (with effect for the tax year 2022-23 and subsequent tax years) by [Finance Act 2022 \(c. 3\), s. 4\(1\)\(a\)\(3\)](#)
- F33** Word in s. 8(2) substituted (with effect for the tax year 2022-23 and subsequent tax years) by [Finance Act 2022 \(c. 3\), s. 4\(1\)\(b\)\(3\)](#)
- F34** S. 8(3) inserted (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\), Sch. 2 para. 3\(2\)](#)
- F35** Word in s. 8(3) substituted (with effect for the tax year 2022-23 and subsequent tax years) by [Finance Act 2022 \(c. 3\), s. 4\(1\)\(c\)\(3\)](#)

9 The trust rate and dividend trust rate

- (1) The trust rate is [^{F36}45%].
- (2) The dividend trust rate is [^{F37}39.35%].

Textual Amendments

- F36** Words in s. 9(1) substituted (17.7.2012) (with effect in accordance with s. 1(6) of the amending Act) by [Finance Act 2012 \(c. 14\), s. 1\(3\)\(b\)](#)
- F37** Word in s. 9(2) substituted (with effect for the tax year 2022-23 and subsequent tax years) by [Finance Act 2022 \(c. 3\), s. 4\(2\)\(3\)](#)

Income charged at particular rates

10 ^{F38}Income charged at the ... basic [^{F39}, higher and additional] rates: individuals

- ^{F40}(1)
- [^{F41}(2) Income tax on an individual's income up to the basic rate limit is charged at the basic rate ^{F42}....]
- (3) Income tax is charged at the higher rate on an individual's income above the basic rate limit [^{F43}and up to the higher rate limit.]
- [^{F44}(3A) Income tax is charged at the additional rate on an individual's income above the higher rate limit.]
- ^{F45}(3B)
- ^{F45}(3C)
- (4) This section is subject to—
 - ^{F46}.....
 - [^{F47}section 11A (income charged at [^{F48}Scottish] rates),]
 - [^{F49}section 11B (income charged at the Welsh basic, higher and additional rates),]
 - [^{F50}section 11C (income charged at the default basic, higher and additional rates: non-UK resident individuals),

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section 11D (savings income charged at the savings basic, higher and additional rates: individuals),
section 12 (savings income charged at the starting rate for savings),
[^{F51}section 12A (savings income charged at the savings nil rate),]
section 13 (income charged at the dividend ordinary and dividend upper rates: individuals), and
any other provisions of the Income Tax Acts which provide for income of an individual to be charged at different rates of income tax in some circumstances.

(5) The basic rate limit is [^{F52}£37,700].

[^{F53}(5A) The higher rate limit for a tax year is equal to—

- (a) twice the amount specified in subsection (1) of section 35 (personal allowance) for the tax year, plus
- (b) the amount specified in subsection (2) of that section (amount at which personal allowance starts to be withdrawn).

(5B) Before the start of the tax year the Treasury must make an order specifying the amount which is, as a result of subsection (5A), the higher rate limit for the tax year.]

[^{F54}(6) The basic rate limit [^{F55}and higher rate limit are] increased in some circumstances: see—

- (a) section 414(2) (gift aid relief), and
- (b) section 192(4) of FA 2004 (relief for pension contributions).

(7) See section 21 for indexation of the basic rate limit.]

Textual Amendments

- F38** Word in s. 10 heading omitted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 1 para. 3\(6\)](#)
- F39** Words in s. 10 heading substituted (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 2 para. 4\(6\)](#)
- F40** S. 10(1) omitted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 1 para. 3\(2\)](#)
- F41** S. 10(2) substituted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 1 para. 3\(3\)](#)
- F42** Words in s. 10(2) omitted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by [Finance Act 2016 \(c. 24\)](#), [s. 6\(6\)\(24\)](#); [S.I. 2016/1161](#), [regs. 2, 3](#)
- F43** Words in s. 10(3) inserted (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 2 para. 4\(2\)](#)
- F44** S. 10(3A) inserted (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 2 para. 4\(3\)](#)
- F45** S. 10(3B)(3C) omitted (with effect in accordance with Sch. 38 para. 12 of the amending Act) by virtue of [Finance Act 2014 \(c. 26\)](#), [Sch. 38 para. 4\(a\)](#)
- F46** S. 10(4) entry omitted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 1 para. 3\(4\)](#)
- F47** Words in s. 10(4) inserted (with effect in accordance with Sch. 38 para. 12 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 38 para. 4\(b\)](#)
- F48** Word in s. 10(4) substituted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by [Scotland Act 2016 \(c. 11\)](#), [ss. 13\(14\), 14\(6\)\(15\), 72\(3\)](#); [S.I. 2016/1161](#), [regs. 2, 3](#)
- F49** Words in s. 10(4) inserted (24.7.2018) by [Wales Act 2014 \(c. 29\)](#), [ss. 9\(4\), 14, 29\(4\)](#); [S.I. 2018/892](#), [art. 3](#) (with [arts. 5, 6, 8](#))

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- F50** Words in s. 10(4) inserted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by [Finance Act 2016 \(c. 24\), s. 6\(7\)\(24\)](#); S.I. 2016/1161, [regs. 2, 3](#)
- F51** Words in s. 10(4) inserted (with effect for the tax year 2016-17 and subsequent years) by [Finance Act 2016 \(c. 24\), s. 4\(4\)\(17\)](#)
- F52** Sum in s. 10(5) specified (1.2.2021 with effect for the tax year 2021-22) by [The Income Tax \(Indexation\) Order 2021 \(S.I. 2021/111\), art. 2](#)
- F53** [S. 10\(5A\)\(5B\)](#) substituted for [s. 10\(5A\)](#) (with the substituted s. 10(5A) having effect for the tax year 2023-24 and subsequent tax years, and the substituted s. 10(5B) having effect for the tax year 2028-29 and subsequent tax years) by [Finance Act 2023 \(c. 1\), s. 6\(1\)\(3\)\(5\)](#)
- F54** [S. 10\(6\)\(7\)](#) inserted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by [Finance Act 2008 \(c. 9\), Sch. 1 para. 3\(5\)](#)
- F55** Words in s. 10(6) substituted (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\), Sch. 2 para. 4\(5\)](#)

Modifications etc. (not altering text)

- C1** [S. 10\(5\)](#): sum specified (for the tax years 2022-23, 2023-24, 2024-25 and 2025-26) by [Finance Act 2021 \(c. 26\), s. 5\(1\)](#)

11 Income charged at the ^{F56}default basic rate: non-individuals]

- (1) Income tax is charged at the ^{F57}default] basic rate on the income of persons other than individuals.
- (2) This section is subject to—
 - ^{F58} ...
 - section 14 (income charged at the dividend ordinary rate: other persons),
 - Chapters 3 to 6 of Part 9 (which provide for some income of trustees to be charged at the dividend trust rate or at the trust rate), and
 - any other provisions of the Income Tax Acts which provide for income of persons other than individuals to be charged at different rates of income tax in some circumstances.

Textual Amendments

- F56** Words in s. 11 heading substituted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by [Finance Act 2016 \(c. 24\), s. 6\(8\)\(a\)\(24\)](#); S.I. 2016/1161, [regs. 2, 3](#)
- F57** Word in s. 11(1) inserted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by [Finance Act 2016 \(c. 24\), s. 6\(8\)\(b\)\(24\)](#); S.I. 2016/1161, [regs. 2, 3](#)
- F58** Words in s. 11(2) omitted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\), Sch. 1 para. 4](#)

^{F59}11A Income charged at ^{F60}Scottish] rates

- ^{F61}(1A) Income tax is charged at Scottish rates on the non-savings income of a Scottish taxpayer.]
 - (4) For the purposes of this section, “non-savings income” means income which is not savings income.
 - (5) This section is subject to—

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section 13 (income charged at the dividend ordinary, upper and additional rates: individuals), and
any provisions of the Income Tax Acts (apart from section 10) which provide for income of an individual to be charged at different rates of income tax in some circumstances.

- (6) Section 16 has effect for determining [^{F62}which part of a Scottish taxpayer's income consists of savings income].]

Textual Amendments

- F59** S. 11A inserted (with effect in accordance with Sch. 38 para. 12 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 38 para. 5](#)
- F60** Word in s. 11A heading substituted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by [Scotland Act 2016 \(c. 11\)](#), [ss. 13\(10\)](#), [14\(4\)\(15\)](#), [72\(3\)](#); S.I. 2016/1161, [regs. 2, 3](#)
- F61** S. 11A(1A) substituted for s. 11A(1)-(3) (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by [Scotland Act 2016 \(c. 11\)](#), [ss. 13\(10\)](#), [14\(8\)\(15\)](#), [72\(3\)](#); S.I. 2016/1161, [regs. 2, 3](#)
- F62** Words in s. 11A(6) substituted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by [Scotland Act 2016 \(c. 11\)](#), [ss. 13\(10\)](#), [14\(9\)\(15\)](#), [72\(3\)](#); S.I. 2016/1161, [regs. 2, 3](#)

[^{F63}11B Income charged at the Welsh basic, higher and additional rates

- (1) Income tax is charged at the Welsh basic rate on the income of a Welsh taxpayer which—
- is non-savings income, and
 - would otherwise be charged at the basic rate.
- (2) Income tax is charged at the Welsh higher rate on the income of a Welsh taxpayer which—
- is non-savings income, and
 - would otherwise be charged at the higher rate.
- (3) Income tax is charged at the Welsh additional rate on the income of a Welsh taxpayer which—
- is non-savings income, and
 - would otherwise be charged at the additional rate.
- (4) For the purposes of this section, “non-savings income” means income which is not savings income.
- (5) This section is subject to—
- section 13 (income charged at the dividend ordinary, upper and additional rates: individuals), and
any provisions of the Income Tax Acts (apart from section 10) which provide for income of an individual to be charged at different rates of income tax in some circumstances.
- (6) Section 16 has effect for determining the extent to which the non-savings income of a Welsh taxpayer would otherwise be charged at the basic, higher or additional rate.]

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Textual Amendments

F63 S. 11B inserted (24.7.2018) by [Wales Act 2014 \(c. 29\), ss. 9\(5\), 14, 29\(4\)](#); [S.I. 2018/892, art. 3](#) (with [arts. 5, 6, 8](#))

[^{F64}11C Income charged at the default basic, higher and additional rates: non-UK resident individuals

- (1) Income tax on a non-UK resident individual's income up to the basic rate limit is charged at the default basic rate.
- (2) Income tax is charged at the default higher rate on a non-UK resident individual's income above the basic rate limit and up to the higher rate limit.
- (3) Income tax is charged at the default additional rate on a non-UK resident individual's income above the higher rate limit.
- (4) Subsections (1) to (3) are subject to—
 - section 11D (savings income charged at the savings basic, higher and additional rates),
 - section 12 (savings income charged at the starting rate for savings),
 - section 12A (savings income charged at the savings nil rate),
 - section 13 (income charged at the dividend ordinary, upper and additional rates: individuals), and
 - any other provisions of the Income Tax Acts (apart from section 10) which provide for income to be charged at different rates of income tax in some circumstances.

Textual Amendments

F64 Ss. 11C, 11D inserted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by [Finance Act 2016 \(c. 24\), s. 6\(8\)\(b\)\(24\)](#); [S.I. 2016/1161, regs. 2, 3](#)

11D Income charged at the savings basic, higher and additional rates

- (1) Income tax is charged at the savings basic rate on an individual's income which—
 - (a) is saving income, and
 - (b) would otherwise be charged at the basic rate or the default basic rate.
- (2) Income tax is charged at the savings higher rate on an individual's income which—
 - (a) is savings income, and
 - (b) would otherwise be charged at the higher rate or the default higher rate.
- (3) Income tax is charged at the savings additional rate on an individual's income which—
 - (a) is savings income, and
 - (b) would otherwise be charged at the additional rate or the default additional rate.
- (4) Subsections (1) to (3)—
 - (a) have effect after sections 12 and 12A have been applied (so that any reference in subsections (1) to (3) to income which would otherwise be charged at a

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- particular rate does not include income charged at the starting rate for savings or at the savings nil rate), and
- (b) are subject to any other provisions of the Income Tax Acts (apart from sections 10 and 11C) which provide for income to be charged at different rates of income tax in some circumstances.
- (5) Section 16 has effect for determining the extent to which an individual's savings income above the starting rate limit for savings would otherwise be charged at the basic, higher or additional rate or the default basic, default higher or default additional rate.
- (6) In relation to an individual who is a Scottish taxpayer, references in this section to income which would otherwise be charged at a particular rate are to be read as references to income that would, if the individual were not a Scottish taxpayer (but were UK resident), be charged at that rate (and subsection (5) is to be read accordingly).]

Textual Amendments

F64 Ss. 11C, 11D inserted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by [Finance Act 2016 \(c. 24\)](#), [s. 6\(8\)\(b\)\(24\)](#); S.I. 2016/1161, [regs. 2, 3](#)

[^{F65}12 Income charged at the starting rate for savings

- (1) Income tax is charged at the starting rate for savings ^{F66}... on so much of an individual's income up to the starting rate limit for savings [^{F67}as—
- (a) is savings income, and
- (b) would otherwise be charged at the basic rate or the default basic rate].
- (2) This is subject to any provisions of the Income Tax Acts (apart from section 10) which provide for income of an individual to be charged at different rates of income tax in some circumstances.
- (3) The starting rate limit for savings is [^{F68}£5,000].
- (4) See section 21 for indexation of the starting rate limit for savings.
- (5) Section 16 has effect for determining the extent to which a person's income up to the starting rate limit for savings consists of savings income.]

Textual Amendments

F65 S. 12 substituted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 1 para. 5](#)

F66 Words in s. 12(1) omitted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by [Finance Act 2016 \(c. 24\)](#), [s. 6\(10\)\(a\)\(24\)](#); S.I. 2016/1161, [regs. 2, 3](#)

F67 Words in s. 12(1) substituted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by [Finance Act 2016 \(c. 24\)](#), [s. 6\(10\)\(b\)\(24\)](#); S.I. 2016/1161, [regs. 2, 3](#)

F68 Sum in s. 12(3) confirmed (6.4.2023 for the tax year 2023-24) by [Finance Act 2023 \(c. 30\)](#), [s. 4\(1\)](#)

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[^{F69}12A Savings income charged at the savings nil rate

- (1) This section applies in relation to an individual if—
 - (a) the amount of the individual's Step 3 income is greater than £L, where £L is the amount of the starting rate limit for savings, and
 - (b) when the individual's Step 3 income is split into two parts—
 - (i) one (“the individual's income up to the starting rate for savings”) consisting of the lowest £L of the individual's Step 3 income, and
 - (ii) the other (“the individual's income above the starting rate limit for savings”) consisting of the rest of the individual's Step 3 income, some or all of the individual's income above the starting rate limit for savings consists of savings income (whether or not some or all of the individual's income up to the starting rate limit for savings consists of savings income).
- (2) In this section—

£A is the amount of the individual's savings allowance (see section 12B),
 “the excess” is so much of the individual's income above the starting rate limit for savings as consists of savings income, and
 £X is the amount of the excess.
- (3) If £X is less than or equal to £A, income tax is charged at the savings nil rate (rather than the basic, higher or additional rate [^{F70} or the default basic, default higher or default additional rate]) on the excess.
- (4) If £X is more than £A, income tax is charged at the savings nil rate (rather than the basic, higher or additional rate [^{F71} or the default basic, default higher or default additional rate]) on the lowest £A of the excess.
- (5) Subsections (3) and (4) are subject to any provisions of the Income Tax Acts (apart from [^{F72} sections 10 and 11C]) which provide for income to be charged at different rates of income tax in some circumstances.
- (6) Section 16 has effect for determining the extent to which the individual's income above the starting rate limit for savings consists of savings income.
- (7) For the purposes of this section, an individual's “Step 3 income” is the individual's net income less allowances deducted at Step 3 of the calculation in section 23.

Textual Amendments

- F69** Ss. 12A, 12B inserted (with effect for the tax year 2016-17 and subsequent years) by [Finance Act 2016 \(c. 24\), s. 4\(5\)\(17\)](#)
- F70** Words in s. 12A(3) inserted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by [Finance Act 2016 \(c. 24\), s. 6\(11\)\(a\)\(24\)](#); S.I. 2016/1161, [regs. 2, 3](#)
- F71** Words in s. 12A(4) inserted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by [Finance Act 2016 \(c. 24\), s. 6\(11\)\(a\)\(24\)](#); S.I. 2016/1161, [regs. 2, 3](#)
- F72** Words in s. 12A(5) substituted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by [Finance Act 2016 \(c. 24\), s. 6\(11\)\(b\)\(24\)](#); S.I. 2016/1161, [regs. 2, 3](#)

12B Individual's entitlement to a savings allowance

- (1) Subsections (2) to (4) determine the amount of an individual's savings allowance for a tax year.

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- (2) If any of the individual's income for the year is additional-rate income, the individual's savings allowance for the year is nil.
- (3) If—
 - (a) any of the individual's income for the year is higher-rate income, and
 - (b) none of the individual's income for the year is additional-rate income,the individual's savings allowance for the year is £500.
- (4) If none of the individual's income for the year is higher-rate income, the individual's savings allowance for the year is £1,000.
- (5) The Treasury may by regulations substitute a different amount for the amount for the time being specified in subsection (2), (3) or (4); and regulations under this subsection that have effect for a tax year may be made at any time before the end of that tax year.
- (6) If regulations under subsection (5) reduce any amount, the regulations may not be made unless a draft of the instrument containing them (whether alone or together with regulations under subsection (5) which increase any amount) has been laid before, and approved by a resolution of, the House of Commons.
- (7) Section 1014(4) (negative procedure) does not apply to regulations under subsection (5) which increase any amount if—
 - (a) the instrument containing them also contains regulations under subsection (5) which reduce any amount, and
 - (b) a draft of the instrument has been laid before, and approved by a resolution of, the House of Commons.
- (8) For the purposes of this section—
 - (a) each of the following is “additional-rate income”—
 - (i) income on which income tax is charged at the additional rate [^{F73}, default additional rate] or dividend additional rate,
 - (ii) income on which income tax would be charged at the additional rate [^{F74}, or default additional rate,] but for section 12A (income charged at savings nil rate),
 - (iii) income on which income tax would be charged at the dividend additional rate but for section 13A (income charged at dividend nil rate), and
 - (iv) income of an individual who is a Scottish taxpayer or Welsh taxpayer which would, if the individual were not a Scottish taxpayer or Welsh taxpayer (as the case may be), be income on which income tax is charged at the additional rate [^{F75} or default additional rate], and
 - (b) each of the following is “higher-rate income”—
 - (i) income on which income tax is charged at the higher rate [^{F76}, default higher rate] or dividend upper rate,
 - (ii) income on which income tax would be charged at the higher rate [^{F77}, or default higher rate,] but for section 12A (income charged at savings nil rate),
 - (iii) income on which income tax would be charged at the dividend upper rate but for section 13A (income charged at dividend nil rate), and
 - (iv) income of an individual who is a Scottish taxpayer or Welsh taxpayer which would, if the individual were not a Scottish taxpayer or Welsh

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taxpayer (as the case may be), be income on which income tax is charged at the higher rate [^{F78}or default higher rate].]

Textual Amendments

- F69** Ss. 12A, 12B inserted (with effect for the tax year 2016-17 and subsequent years) by [Finance Act 2016 \(c. 24\), s. 4\(5\)\(17\)](#)
- F73** Words in s. 12B(8)(a)(i) inserted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by [Finance Act 2016 \(c. 24\), s. 6\(12\)\(a\)\(24\)](#); S.I. 2016/1161, [regs. 2, 3](#)
- F74** Words in s. 12B(8)(a)(ii) inserted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by [Finance Act 2016 \(c. 24\), s. 6\(12\)\(b\)\(24\)](#); S.I. 2016/1161, [regs. 2, 3](#)
- F75** Words in s. 12B(8)(a)(iv) inserted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by [Finance Act 2016 \(c. 24\), s. 6\(12\)\(c\)\(24\)](#); S.I. 2016/1161, [regs. 2, 3](#)
- F76** Words in s. 12B(8)(b)(i) inserted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by [Finance Act 2016 \(c. 24\), s. 6\(12\)\(d\)\(24\)](#); S.I. 2016/1161, [regs. 2, 3](#)
- F77** Words in s. 12B(8)(b)(ii) inserted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by [Finance Act 2016 \(c. 24\), s. 6\(12\)\(e\)\(24\)](#); S.I. 2016/1161, [regs. 2, 3](#)
- F78** Words in s. 12B(8)(b)(iv) inserted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by [Finance Act 2016 \(c. 24\), s. 6\(12\)\(f\)\(24\)](#); S.I. 2016/1161, [regs. 2, 3](#)

13 **Income charged at the dividend ordinary [^{F79}, dividend upper and dividend additional] rates: individuals**

- (1) Income tax is charged at the dividend ordinary rate on an individual's income which—
- (a) is dividend income,
 - (b) would otherwise be charged at the ^{F80}... basic rate, ^{F81}... [^{F82}or the Welsh basic rate,] and
 - (c) is not relevant foreign income charged in accordance with section 832 of ITTOIA 2005 (relevant foreign income charged on the remittance basis).
- (2) Income tax is charged at the dividend upper rate on an individual's income which—
- (a) is dividend income, ^{F83}...
 - (b) would otherwise be charged at the higher rate, ^{F84}... [^{F85}or the Welsh higher rate,]^{F86} and
 - (c) is not relevant foreign income charged in accordance with section 832 of ITTOIA 2005.]

- ^{F87}(2A) Income tax is charged at the dividend additional rate on an individual's income which—
- (a) is dividend income,
 - (b) would otherwise be charged at the additional rate, ^{F88}... [^{F89}or the Welsh additional rate,] and
 - (c) is not relevant foreign income charged in accordance with section 832 of ITTOIA 2005.]
- (3) Subsections (1) [^{F90}to (2A)] are subject to any provisions of the Income Tax Acts (apart from section 10 [^{F91}or 11A]^{F92} or 11B]) which provide for income to be charged at different rates of income tax in some circumstances.
- (4) Section 16 has effect for determining the extent to which an individual's dividend income would otherwise be charged at the ^{F93}... basic [^{F94}, higher or additional] rate ^{F95}... [^{F96}or the Welsh basic, higher or additional rate].

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[^{F97}(5) In relation to an individual who is a Scottish taxpayer, references in this section to income that would otherwise be charged at a particular rate are to be read as references to income that would, if the individual were not a Scottish taxpayer, be charged at that rate (and subsection (4) is to be read accordingly).]

Textual Amendments

- F79** Words in s. 13 heading substituted (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 2 para. 5\(5\)](#)
- F80** Words in s. 13(1)(b) omitted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 1 para. 6\(a\)](#)
- F81** Words in s. 13(1)(b) omitted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by [Scotland Act 2016 \(c. 11\)](#), [ss. 13\(14\)](#), [14\(11\)\(a\)\(15\)](#), [72\(3\)](#); S.I. 2016/1161, [regs. 2, 3](#)
- F82** Words in s. 13(1)(b) inserted (24.7.2018) by [Wales Act 2014 \(c. 29\)](#), [ss. 9\(6\)\(a\)](#), [14, 29\(4\)](#); S.I. 2018/892, [art. 3](#) (with [arts. 5, 6, 8](#))
- F83** Word in s. 13(2)(a) omitted (21.7.2008 with effect in accordance with s. 68(2) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [s. 68\(1\)\(a\)](#)
- F84** Words in s. 13(2)(b) omitted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by [Scotland Act 2016 \(c. 11\)](#), [ss. 13\(14\)](#), [14\(11\)\(b\)\(15\)](#), [72\(3\)](#); S.I. 2016/1161, [regs. 2, 3](#)
- F85** Words in s. 13(2)(b) inserted (24.7.2018) by [Wales Act 2014 \(c. 29\)](#), [ss. 9\(6\)\(b\)](#), [14, 29\(4\)](#); S.I. 2018/892, [art. 3](#) (with [arts. 5, 6, 8](#))
- F86** S. 13(2)(c) and word inserted (21.7.2008 with effect in accordance with s. 68(2) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [s. 68\(1\)\(b\)](#)
- F87** S. 13(2A) inserted (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 2 para. 5\(2\)](#)
- F88** Words in s. 13(2A)(b) omitted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by [Scotland Act 2016 \(c. 11\)](#), [ss. 13\(14\)](#), [14\(11\)\(c\)\(15\)](#), [72\(3\)](#); S.I. 2016/1161, [regs. 2, 3](#)
- F89** Words in s. 13(2A)(b) inserted (24.7.2018) by [Wales Act 2014 \(c. 29\)](#), [ss. 9\(6\)\(c\)](#), [14, 29\(4\)](#); S.I. 2018/892, [art. 3](#) (with [arts. 5, 6, 8](#))
- F90** Words in s. 13(3) substituted (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 2 para. 5\(3\)](#)
- F91** Words in s. 13(3) inserted (with effect in accordance with Sch. 38 para. 12 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 38 para. 6\(d\)](#)
- F92** Words in s. 13(3) inserted (24.7.2018) by [Wales Act 2014 \(c. 29\)](#), [ss. 9\(6\)\(d\)](#), [14, 29\(4\)](#); S.I. 2018/892, [art. 3](#) (with [arts. 5, 6, 8](#))
- F93** Word in s. 13(4) omitted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 1 para. 6\(b\)](#)
- F94** Words in s. 13(4) substituted (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 2 para. 5\(4\)](#)
- F95** Words in s. 13(4) omitted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by [Scotland Act 2016 \(c. 11\)](#), [ss. 13\(14\)](#), [14\(11\)\(d\)\(15\)](#), [72\(3\)](#); S.I. 2016/1161, [regs. 2, 3](#)
- F96** Words in s. 13(4) inserted (24.7.2018) by [Wales Act 2014 \(c. 29\)](#), [ss. 9\(6\)\(e\)](#), [14, 29\(4\)](#); S.I. 2018/892, [art. 3](#) (with [arts. 5, 6, 8](#))
- F97** S. 13(5) inserted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by [Scotland Act 2016 \(c. 11\)](#), [ss. 13\(14\)](#), [14\(11\)\(e\)\(15\)](#), [72\(3\)](#); S.I. 2016/1161, [regs. 2, 3](#)

[^{F98}13A Income charged at the dividend nil rate

- (1) Subsection (2) applies if, ignoring this section, at least some of an individual's income would be charged to income tax at the dividend ordinary rate, the dividend upper rate or the dividend additional rate.

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- (2) Income tax is charged at the dividend nil rate (rather than the dividend ordinary rate, dividend upper rate or dividend additional rate) on one or more amounts of the individual's income as follows—

Step 1 Identify the amount (“D”) of the individual's income which would, ignoring this section, be charged at the dividend ordinary rate. *Rule 1A:* If D is more than [F99£1,000], the first [F99£1,000] of D is charged at the dividend nil rate (rather than the dividend ordinary rate), and is the only amount charged at the dividend nil rate. *Rule 1B:* If D is equal to [F99£1,000], D is charged at the dividend nil rate (rather than the dividend ordinary rate), and is the only amount charged at the dividend nil rate. *Rule 1C:* If D is less than [F99£1,000] but more than nil, D is charged at the dividend nil rate (rather than the dividend ordinary rate).

Step 2 If D is less than [F99£1,000], identify the amount (“U”) of the individual's income which would, ignoring this section, be charged at the dividend upper rate. *Rule 2A:* If the total of D and U is more than [F99£1,000]—

- (a) the first £M of U is charged at the dividend nil rate (rather than the dividend upper rate), where £M is the difference between [F99£1,000] and D, and
- (b) the amounts charged under this Rule and Rule 1C are the only amounts charged at the dividend nil rate.

Rule 2B: If the total of D and U is equal to [F99£1,000], U is charged at the dividend nil rate (rather than the dividend upper rate), and the amounts charged under this Rule and Rule 1C are the only amounts charged at the dividend nil rate. *Rule 2C:* If the total of D and U is less than [F99£1,000] but more than nil, U is charged at the dividend nil rate (rather than the dividend upper rate).

Step 3 If the total of D and U is less than [F99£1,000], identify the amount (“A”) of the individual's income which would, ignoring this section, be charged at the dividend additional rate. *Rule 3A:* If the total of D, U and A is more than [F99£1,000], the first £X of A is charged at the dividend nil rate (rather than the dividend additional rate), where £X is the difference between—

[F99£1,000], and
the total of D and U,

and the amounts charged under this Rule, and Rules 1C and 2C, are the amounts charged at the dividend nil rate. *Rule 3B:* If the total of D, U and A is less than or equal to [F99£1,000], A is charged at the dividend nil rate (rather than the dividend additional rate), and the amounts charged under this Rule, and Rules 1C and 2C, are the amounts charged at the dividend nil rate.]

Textual Amendments

- F98** S. 13A inserted (with effect for the tax year 2016-17 and subsequent years) by [Finance Act 2016 \(c. 24\), s. 5\(5\)\(10\)](#)
- F99** Sum in s. 13A(2) substituted (with effect for the tax year 2023-24) by [Finance Act 2023 \(c. 1\), s. 7\(1\)\(2\)](#)

14 Income charged at the dividend ordinary rate: other persons

- (1) Income tax is charged at the dividend ordinary rate on the income of persons other than individuals which—

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- (a) is dividend income,
 - (b) would otherwise be charged at the basic rate, and
 - (c) is not relevant foreign income charged in accordance with section 832 of ITTOIA 2005 (relevant foreign income charged on the remittance basis).
- (2) This is subject to—
- Chapters 3 to 6 of Part 9 (which provide for some income of trustees to be charged at the dividend trust rate or at the trust rate),
^{F100} ... and
- any other provisions of the Income Tax Acts (apart from section 11) which provide for income of persons other than individuals to be charged at different rates of income tax in some circumstances.

Textual Amendments

F100 Words in s. 14(2) omitted (6.4.2014) by virtue of [The Unauthorised Unit Trusts \(Tax\) Regulations 2013 \(S.I. 2013/2819\)](#), regs. 1(3), **37(3)** (with [reg. 32](#))

15 Income charged at the trust rate and the dividend trust rate

For the circumstances in which income tax is charged at the trust rate and the dividend trust rate, see Chapters 3 to 6 of Part 9.

16 Savings and dividend income to be treated as highest part of total income

- (1) This section has effect for determining^{F101} —
- ^{F102}(za) which part of a Scottish taxpayer's income consists of savings income,]
 - ^{F103}(zb) the rate at which income tax would be charged on the non-savings income of a Welsh taxpayer apart from section 11B,]
- (a) the extent to which a person's income up to the starting rate limit for savings consists of savings income,
 - ^{F104}(aa) the extent to which a person's income above the starting rate limit for savings consists of savings income,] and
 - ^{F105}(ab) the rate at which income tax would be charged on a person's savings income above the starting rate limit for savings apart from sections 11D and 12A,]
 - (b) the rate at which income tax would be charged on a person's dividend income apart from section 13.]
- (2) It also has effect for all other income tax purposes except for the purposes of—
- (a) section 491 (special rates not to apply to first slice of trustees' trust rate income), and
 - (b) sections 535 to 537 of ITTOIA 2005 (gains from contracts for life insurance etc: top slicing relief).
- (3) If a person has savings income but no dividend income, the savings income is treated as the highest part of the person's total income.
- (4) If a person has dividend income but no savings income, the dividend income is treated as the highest part of the person's total income.
- (5) If a person has both savings income and dividend income—

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- (a) the savings income and dividend income are together treated as the highest part of the person's total income, and
 - (b) the dividend income is treated as the higher part of that part of the person's total income.
- (6) See section 1012 for the relationship between—
- (a) the rules in this section, and
 - (b) other rules requiring particular income to be treated as the highest part of a person's total income.
- (7) References in this section to dividend income do not include dividend income which is relevant foreign income charged in accordance with section 832 of ITTOIA 2005 (relevant foreign income charged on the remittance basis).

Textual Amendments

- F101** Words in s. 16(1) substituted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 1 para. 7](#)
- F102** S. 16(1)(za) substituted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by [Scotland Act 2016 \(c. 11\)](#), [ss. 13\(14\)](#), [14\(12\)\(15\)](#), [72\(3\)](#); [S.I. 2016/1161](#), [regs. 2, 3](#)
- F103** S. 16(1)(zb) inserted (24.7.2018) by [Wales Act 2014 \(c. 29\)](#), [ss. 9\(7\)](#), [14](#), [29\(4\)](#); [S.I. 2018/892](#), [art. 3](#) (with [arts. 5, 6, 8](#))
- F104** S. 16(1)(aa) inserted (with effect for the tax year 2016-17 and subsequent years) by [Finance Act 2016 \(c. 24\)](#), [s. 4\(6\)\(17\)](#)
- F105** S. 16(1)(ab) inserted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by [Finance Act 2016 \(c. 24\)](#), [s. 6\(13\)\(24\)](#); [S.I. 2016/1161](#), [regs. 2, 3](#)

17 **Repayment: tax paid at [^{F106}greater] rate instead of [^{F107}starting rate for savings][^{F108}or savings nil rate]**

- (1) This section applies if income tax [^{F109}at a rate greater than the starting rate for savings] has been paid on income on which income tax is chargeable at the [^{F110}starting rate for savings].
- [^{F111}(1A) This section also applies if income tax at a rate greater than the savings nil rate has been paid on income on which income tax is chargeable at the savings nil rate.]
- (2) If a claim is made, any necessary repayment of tax must be made.

Textual Amendments

- F106** Word in s. 17 heading substituted (with effect for the tax year 2016-17 and subsequent years) by [Finance Act 2016 \(c. 24\)](#), [s. 4\(7\)\(b\)\(i\)\(17\)](#)
- F107** Words in s. 17 heading substituted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 1 para. 8\(3\)](#)
- F108** Words in s. 17 heading inserted (with effect for the tax year 2016-17 and subsequent years) by [Finance Act 2016 \(c. 24\)](#), [s. 4\(7\)\(b\)\(ii\)\(17\)](#)
- F109** S. 17(1) words substituted (30.11.2016 with effect in relation to tax year 2017-18 and subsequent tax years) by [Finance Act 2016 \(c. 24\)](#), [s. 6\(14\)\(24\)](#); [S.I. 2016/1161](#), [regs. 2, 3](#)
- F110** Words in s. 17(1) substituted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 1 para. 8\(2\)](#)

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F111 S. 17(1A) inserted (with effect for the tax year 2016-17 and subsequent years) by [Finance Act 2016 \(c. 24\), s. 4\(7\)\(a\)\(17\)](#)

18 Meaning of “savings income”

- (1) This section applies for the purposes of the Income Tax Acts.
- (2) “Savings income” is income—
 - (a) which is within subsection (3) or (4), and
 - (b) which is not relevant foreign income charged in accordance with section 832 of ITTOIA 2005 (relevant foreign income charged on the remittance basis).
- (3) Income is within this subsection if it is—
 - (a) income chargeable under Chapter 2 of Part 4 of ITTOIA 2005 (interest),
 - (b) income chargeable under Chapter 7 of Part 4 of ITTOIA 2005 (purchased life annuity payments), other than income from annuities specified in section 718(2) of that Act (annuities purchased from certain life assurance premium payments or under wills etc),
 - (c) income chargeable under Chapter 8 of Part 4 of ITTOIA 2005 (profits from deeply discounted securities), or
 - (d) income chargeable under Chapter 2 of Part 12 of this Act (accrued income profits).
- (4) Income is within this subsection if—
 - (a) it is chargeable under Chapter 9 of Part 4 of ITTOIA 2005 (gains from contracts for life insurance etc), and
 - (b) an individual is, or personal representatives are, liable for income tax on it (under section 465 or 466 of that Act).

Modifications etc. (not altering text)

- C2** S. 18 excluded by [Taxes Management Act 1970 \(c. 9\)](#), s. 18E(2)(b) (as inserted (with effect in accordance with s. 381(1)) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), Sch. 7 para. 103 (with Sch. 9 paras. 1-9, 22))

19 Meaning of “dividend income”

- (1) This section applies for the purposes of the Income Tax Acts.
- (2) “Dividend income” is income which is—
 - (a) chargeable under Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc from UK resident companies),
 - (b) chargeable under Chapter 4 of that Part (dividends from non-UK resident companies),
 - (c) chargeable under Chapter 5 of that Part (stock dividends from UK resident companies),
 - (d) chargeable under Chapter 6 of that Part (release of loan to participator in close company), or
 - (e) a relevant foreign distribution chargeable under Chapter 8 of Part 5 of ITTOIA 2005 (income not otherwise charged).

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- (3) In subsection (2) “relevant foreign distribution” means a distribution of a non-UK resident company which—
- (a) is not chargeable under Chapter 4 of Part 4 of ITTOIA 2005, but
 - (b) would be chargeable under Chapter 3 of that Part if the company were UK resident.

Starting rate limit and basic rate limit

^{F112}20 The starting rate limit and the basic rate limit

.....

Textual Amendments

F112 S. 20 omitted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by virtue of Finance Act 2008 (c. 9), **Sch. 1 para. 10**

21 Indexation of the [^{F113}basic rate limit and starting rate limit for savings]

- (1) This section applies if the [^{F114}consumer prices index] for the September before the start of a tax year is higher than it was for the previous September.

^{F115}(2)

- (3) The basic rate limit for the tax year is the amount found as follows.

Step 1

Increase the basic rate limit for the previous tax year by the same percentage as the percentage increase in the [^{F116}consumer prices index].

Step 2

If the result of Step 1 is a multiple of £100, it is the basic rate limit for the tax year.

If the result of Step 1 is not a multiple of £100, round it up to the nearest amount which is a multiple of £100.

That amount is the basic rate limit for the tax year.

- [^{F117}(3A) The starting rate limit for savings for the tax year is the amount found as follows.

Step 1

Increase the starting rate limit for savings for the previous tax year by the same percentage as the percentage increase in the [^{F118}consumer prices index].

Step 2

If the result of Step 1 is a multiple of £10, it is the starting rate limit for savings for the tax year.

If the result of Step 1 is not a multiple of £10, round it up to the nearest amount which is a multiple of £10.

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That amount is the starting rate limit for savings for the tax year.]

- (4) Subsections [F119(3) and (3A)] do not require a change to be made in the amounts deductible or repayable under PAYE regulations during the period beginning on 6 April and ending on 17 May in the tax year.
- (5) Before the start of the tax year the Treasury must make an order replacing the amounts specified in [F120 sections 10 and 12] with the amounts which, as a result of subsections [F121(3) and (3A)], are the [F122 basic rate limit and starting rate limit for savings] for the tax year.
- [F123(6) In this section “consumer prices index” means the all items consumer prices index published by the Statistics Board.]

Textual Amendments

- F113** Words in s. 21 heading substituted (21.7.2008) by [Finance Act 2008 \(c. 9\), Sch. 1 para. 11\(6\)](#)
- F114** Words in s. 21(1) substituted (with effect in accordance with s. 4(4) of the amending Act) by [Finance Act 2014 \(c. 26\), s. 4\(2\)\(a\)](#)
- F115** S. 21(2) omitted (21.7.2008) by virtue of [Finance Act 2008 \(c. 9\), Sch. 1 para. 11\(2\)](#)
- F116** Words in s. 21(3) substituted (with effect in accordance with s. 4(4) of the amending Act) by [Finance Act 2014 \(c. 26\), s. 4\(2\)\(a\)](#)
- F117** S. 21(3A) inserted (21.7.2008) by [Finance Act 2008 \(c. 9\), Sch. 1 para. 11\(3\)](#)
- F118** Words in s. 21(3A) substituted (with effect in accordance with s. 4(4) of the amending Act) by [Finance Act 2014 \(c. 26\), s. 4\(2\)\(a\)](#)
- F119** Words in s. 21(4) substituted (21.7.2008) by [Finance Act 2008 \(c. 9\), Sch. 1 para. 11\(4\)](#)
- F120** Words in s. 21(5) substituted (21.7.2008) by [Finance Act 2008 \(c. 9\), Sch. 1 para. 11\(5\)\(a\)](#)
- F121** Words in s. 21(5) substituted (21.7.2008) by [Finance Act 2008 \(c. 9\), Sch. 1 para. 11\(5\)\(b\)](#)
- F122** Words in s. 21(5) substituted (21.7.2008) by [Finance Act 2008 \(c. 9\), Sch. 1 para. 11\(5\)\(c\)](#)
- F123** S. 21(6) inserted (with effect in accordance with s. 4(4) of the amending Act) by [Finance Act 2014 \(c. 26\), s. 4\(2\)\(b\)](#)

Modifications etc. (not altering text)

- C3** S. 21 excluded (21.7.2009) by [Finance Act 2009 \(c. 10\), s. 2\(2\)](#)
- C4** S. 21 excluded (19.7.2011) by [Finance Act 2011 \(c. 11\), s. 2\(2\)](#)
- C5** S. 21 excluded (17.7.2012) by [Finance Act 2012 \(c. 14\), s. 2\(2\)](#)
- C6** S. 21 excluded (17.7.2013) by [Finance Act 2013 \(c. 29\), s. 3\(2\)](#)
- C7** S. 21 excluded (17.7.2014) by [Finance Act 2014 \(c. 26\), ss. 1\(4\)\(a\), 2\(2\)\(a\)](#)
- C8** S. 21 excluded (temp.) (17.7.2014) by [Finance Act 2014 \(c. 26\), s. 3\(3\)](#)
- C9** S. 21 excluded (26.3.2015) by [Finance Act 2015 \(c. 11\), s. 4\(2\)](#)
- C10** S. 21 excluded (6.4.2015 for the tax year 2015-16) by [Finance Act 2014 \(c. 26\), s. 2\(2\)\(a\)](#)
- C11** S. 21 excluded (temp.) (27.4.2017 in relation to the tax year 2017-18) by [Finance Act 2017 \(c. 10\), s. 4\(3\)](#)
- C12** S. 21 excluded (15.3.2018) by [Finance Act 2018 \(c. 3\), s. 5](#)
- C13** S. 21 excluded (12.2.2019) by [Finance Act 2019 \(c. 1\), s. 5\(5\)\(a\)](#)
- C14** S. 21 excluded (12.2.2019) by [Finance Act 2019 \(c. 1\), s. 6](#)
- C15** S. 21 excluded (for the tax year 2020-21) by [Finance Act 2020 \(c. 14\), s. 4](#)
- C16** S. 21 excluded (6.4.2021 for the tax year 2021-22) by [Finance Act 2021 \(c. 26\), s. 4\(2\)](#)
- C17** S. 21 excluded (for the tax year 2022-23) by [Finance Act 2022 \(c. 3\), s. 5\(2\)](#)
- C18** S. 21 excluded (for the tax years 2022-23, 2023-24, 2024-25 and 2025-26) by [Finance Act 2021 \(c. 26\), s. 5\(3\)\(a\)](#)
- C19** S. 21 excluded (6.4.2023 for the tax year 2023-24) by [Finance Act 2023 \(c. 30\), s. 4\(2\)](#)

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CHAPTER 3

CALCULATION OF INCOME TAX LIABILITY

22 Overview of Chapter

- (1) This Chapter deals with the calculation of a person's income tax liability for a tax year.
- (2) But it does not deal with any income tax liability mentioned in section 32.
- (3) This Chapter needs to be read with Chapter 1 of Part 14 (limits on liability to income tax of non-UK residents).

23 The calculation of income tax liability

To find the liability of a person (“the taxpayer”) to income tax for a tax year, take the following steps. *Step 1*

Identify the amounts of income on which the taxpayer is charged to income tax for the tax year.

The sum of those amounts is “total income”.

Each of those amounts is a “component” of total income.

Step 2

Deduct from the components the amount of any relief under a provision listed in relation to the taxpayer in section 24 to which the taxpayer is entitled for the tax year.

See [F¹²⁴sections 24A and 25] for further provision about the deduction of those reliefs.

The sum of the amounts of the components left after this step is “net income”.

Step 3

Deduct from the amounts of the components left after Step 2 any allowances to which the taxpayer is entitled for the tax year under Chapter 2 of Part 3 of this Act or F¹²⁵... (individuals: personal allowance and blind person's allowance).

See section 25 for further provision about the deduction of those allowances.

Step 4

Calculate tax at each applicable rate on the amounts of the components left after Step 3.

See Chapter 2 of this Part for the rates at which income tax is charged and the income charged at particular rates.

If the taxpayer is a trustee, see also Chapters 3 to 6 and 10 of Part 9 (special rules about settlements and trustees) for further provision about the income charged at particular rates.

[F¹²⁶See also section 863I of ITTOIA 2005 which provides for certain partnership profits to be charged at the additional rate.]

Step 5

Add together the amounts of tax calculated at Step 4.

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Step 6

Deduct from the amount of tax calculated at Step 5 any tax reductions to which the taxpayer is entitled for the tax year under a provision listed in relation to the taxpayer in section 26.

See sections 27 to 29 for further provision about the deduction of those tax reductions.

Step 7

Add to the amount of tax left after Step 6 any amounts of tax for which the taxpayer is liable for the tax year under any provision listed in relation to the taxpayer in section 30.

The result is the taxpayer's liability to income tax for the tax year.

Textual Amendments

- F124** Words in s. 23 substituted (with effect in accordance with Sch. 3 para. 3 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 3 para. 2\(2\)](#)
- F125** Words in s. 23 omitted (with effect in accordance with Sch. 1 para. 7 of the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), [Sch. 1 para. 6\(o\)\(i\)](#)
- F126** Words in s. 23 inserted (with effect in accordance with Sch. 17 para. 21 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 17 para. 19](#)

Modifications etc. (not altering text)

- C20** S. 23 applied (N.I.) (6.4.2009) by [The Education \(Student Loans\) \(Repayment\) Regulations \(Northern Ireland\) 2009 \(S.R. 2009/128\)](#), regs. 1(1), [24\(3\)](#)
- C21** S. 23 modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), [Sch. 6 para. 1\(5\)](#)
- C22** S. 23 applied (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), [Sch. 35 para. 1\(10\)](#)
- C23** S. 23 applied (22.7.2020) by [Finance Act 2020 \(c. 14\)](#), [Sch. 16 para. 10\(1\)](#) (with Sch. 16 para. 10(3))
- C24** S. 23 applied (10.6.2021) by [Finance Act 2021 \(c. 26\)](#), [Sch. 2 para. 2\(5\)](#) (with Sch. 2 para. 3(2)(3))
- C25** S. 23 applied (10.6.2021) by [Finance Act 2021 \(c. 26\)](#), [Sch. 2 para. 1\(5\)](#) (with Sch. 2 para. 3(2)(3))
- C26** S. 23 applied (with application in accordance with Sch. 1 para. 64 of the amending Act) by [Finance Act 2022 \(c. 3\)](#), [Sch. 1 para. 75\(2\)](#)

24 Reliefs deductible at Step 2

(1) If the taxpayer is an individual, the provisions referred to at Step 2 of the calculation in section 23 are—

- (a) the following—
- section 72 (early trade losses relief),
 - Chapter 6 of Part 4 (share loss relief),
 - Chapter 3 of Part 8 (gifts of shares, securities and real property to charities etc),
 - sections 457 and 458 of this Act or section 266(7) of ICTA (payments to trade unions or police organisations),
 - section 193(4) of FA 2004 (pension schemes: relief under net pay arrangement: excess relief), and
 - section 194(1) of FA 2004 (pension schemes: relief on making of claim),
- and

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- (b) the following—
- section 64 (trade loss relief against general income),
 - section 83 (carry-forward trade loss relief),
 - section 89 (terminal trade loss relief),
 - section 96 (post-cessation trade relief),
 - section 118 (carry-forward property loss relief),
 - section 120 (property loss relief against general income),
 - section 125 (post-cessation property relief),
 - section 128 (employment loss relief against general income),
 - section 152 (loss relief against miscellaneous income),
 - Chapter 1 of Part 8 (interest payments),
 - [^{F127}Chapter 1A of Part 8 (irrecoverable peer-to-peer loans),]
 - Chapter 4 of Part 8 (annual payments ^{F128}...),
 - section 574 (manufactured dividends on UK shares: payments by non-companies),
 - section 579 (manufactured interest on UK securities: payments not otherwise deductible),
 - Part 2 of CAA 2001 (plant and machinery allowances), in a case where the allowance is to be given effect under section 258 of that Act (special leasing of plant and machinery),
 - ^{F129} ...
 - Part 8 of CAA 2001 (patent allowances), in a case where the allowance is to be given effect under section 479 of that Act (persons having qualifying non-trade expenditure),
 - section 555 of ITEPA 2003 (deduction for liabilities related to former employment),
 - section 446 of ITTOIA 2005 (strips of government securities: relief for losses),
 - section 454(4) of ITTOIA 2005 (listed securities held since 26 March 2003: relief for losses: persons other than trustees), and
 - section 600 of ITTOIA 2005 (relief for patent expenses).
- (2) In any other case, the provisions referred to at Step 2 of the calculation in section 23 are—
- (a) the provisions listed in subsection (1)(b), and
 - (b) [^{F130}regulation 18 of the Unauthorised Unit Trusts (Tax) Regulations 2013].

Textual Amendments

F127 Words in s. 24(1) inserted (15.9.2016) by [Finance Act 2016 \(c. 24\), s. 32\(3\)](#)

F128 Words in s. 24(1)(b) omitted (with effect in accordance with s. 15(5) of the amending Act) by virtue of [Finance Act 2013 \(c. 29\), s. 15\(4\)\(b\)](#)

F129 S. 24(1)(b) entry omitted (21.7.2008 with effect in accordance with Sch. 27 para. 30(1) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\), Sch. 27 para. 27\(2\)](#)

F130 Words in s. 24(2)(b) substituted (6.4.2014) by [The Unauthorised Unit Trusts \(Tax\) Regulations 2013 \(S.I. 2013/2819\), regs. 1\(3\), 37\(4\)](#) (with reg. 32)

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[^{F131}24A Limit on Step 2 deductions

- (1) If the taxpayer is an individual, there is a limit on certain deductions which may be made for the tax year at Step 2.
- (2) The limit is determined as follows.
- (3) Amount A must not exceed amount B.
- (4) Amount A is—
 - (a) the deductions for the tax year at Step 2 for the reliefs listed in subsection (6) taken together, less
 - (b) so much of those deductions as fall within subsection (7).
- (5) Amount B is—
 - (a) £50,000, or
 - (b) if more, 25% of the taxpayer's adjusted total income for the tax year (see subsection (8)).
- (6) The reliefs are—
 - (a) relief under section 64 (trade loss relief against general income);
 - (b) relief under section 72 (early trade losses relief);
 - (c) relief under section 96 (post-cessation trade relief);
 - (d) relief under section 120 (property loss relief against general income);
 - (e) relief under section 125 (post-cessation property relief);
 - (f) relief under section 128 (employment loss relief against general income);
 - (g) relief under Chapter 6 of Part 4 (share loss relief);
 - (h) relief under Chapter 1 of Part 8 (interest payments);
 - (i) relief under section 555 of ITEPA 2003 (deduction for liabilities relating to former employment);
 - (j) relief under section 446 of ITTOIA 2005 (strips of government securities: relief for losses);
 - (k) relief under section 454(4) of ITTOIA 2005 (listed securities held since 26 March 2003: relief for losses: persons other than trustees).
- (7) The deductions falling within this subsection are—
 - (a) deductions for amounts of relief so far as attributable to allowances under Part 3A of CAA 2001 (business premises renovation allowances);
 - (b) deductions for amounts of relief under a provision mentioned in subsection (6)(a) to (e) so far as made from profits of the trade or business to which the relief in question relates;
 - (c) deductions for amounts of relief under the provision mentioned in subsection (6)(a) or (b) so far as attributable to a deduction allowed under section 205 or 220 of ITTOIA 2005 (deduction for overlap profit in final tax year or on change of accounting date);
 - (d) deductions for amounts of relief under the provision mentioned in subsection (6)(g)—
 - (i) where the shares in question fall within section 131(2)(a) (qualifying shares to which EIS relief is attributable), or
 - (ii) where SEIS relief is attributable to the shares in question as determined in accordance with Part 5A (seed enterprise investment scheme)^{F132}, or

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(iii) where SI relief is attributable to the shares in question as determined in accordance with Part 5B (income tax relief for social investments).]

(8) The taxpayer's "adjusted total income" for the tax year is calculated as follows.

Step 1 Take the amount of the taxpayer's total income for the tax year.

Step 2 Add back the amounts of any deductions allowed under Part 12 of ITEPA 2003 (payroll giving) in calculating the taxpayer's income which is charged to tax for the tax year.

Step 3 If the taxpayer is given relief in accordance with section 192 of FA 2004 (pension schemes: relief at source) in respect of any contribution paid in the tax year under a pension scheme, deduct the gross amount of the contribution. The "gross" amount of a contribution is the amount of the contribution before deduction of tax under section 192(1) of FA 2004.

Step 4 If the taxpayer is entitled to a deduction for relief under section 193(4) or 194(1) of FA 2004 (pension schemes: excess relief under net payment arrangements or relief on making a claim) for the tax year, deduct the amount of the excess or contribution (as the case may be). The result is the taxpayer's adjusted total income for the tax year.]

Textual Amendments

F131 S. 24A inserted (with effect in accordance with Sch. 3 para. 3 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 3 para. 1](#) (with [Sch. 3 paras. 4, 5](#))

F132 S. 24A(7)(d)(iii) and word inserted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 11 para. 5](#)

Modifications etc. (not altering text)

C27 [S. 24A\(7\)\(c\)](#) applied (with application in accordance with Sch. 1 para. 64 of the amending Act) by [Finance Act 2022 \(c. 3\)](#), [Sch. 1 para. 76\(2\)](#)

25 Reliefs and allowances deductible at Steps 2 and 3: supplementary

- (1) This section supplements the provisions about reliefs and allowances in Steps 2 and 3 of the calculation in section 23.
- (2) At Steps 2 and 3, deduct the reliefs and allowances in the way which will result in the greatest reduction in the taxpayer's liability to income tax.
- (3) Subsection (2) is subject to—
 - section 65(2) to (4) (priority rule in relation to trade loss relief against general income),
 - section 80(2) (ring fence income),
 - section 83(3) and (4) (carry-forward trade loss relief against trade profits),
 - section 89(3) (terminal trade loss relief against trade profits),
 - section 93(2) (terminal trade loss relief and mineral extraction trade),
 - section 95(2) (foreign trades etc reliefs only against qualifying foreign income),
 - section 115(2) (restrictions on reliefs for firms exploiting films),
 - section 118(3) and (4) (carry-forward property loss relief against property business profits),
 - section 121(2) and (3) (priority rule in relation to property loss relief against general income),

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section 129(2) to (4) (priority rule in relation to employment loss relief against general income),
section 133(4) (share loss relief against general income),
section 152(4) and (7) (loss relief against miscellaneous income),
[^{F133}sections 412A(4), 412B(3) and 412C(3) (relief for irrecoverable peer-to-peer loans only against interest on certain loans),]
sections 574(3) to (8) and 575 (manufactured dividends on UK shares: restrictions on deductions),
section 579(2) to (5) and 580 (manufactured interest on UK securities: restrictions on deductions),
section 258 of CAA 2001 (special leasing of plant or machinery),
^{F134}
...
section 479 of that Act (persons having qualifying non-trade expenditure),
section 601 of ITTOIA 2005 (how relief for patent expenses is given), and
any other provision of the Income Tax Acts under which reliefs or allowances deductible at Step 2 or 3 are not permitted to be deducted from particular components of income or are required to be deducted from particular components of income or in a different order.

- (4) A relief or allowance may be deducted at Step 2 or 3 only so far as there is sufficient income from which to deduct it.
- (5) In deciding whether there is sufficient income from which to deduct a relief or allowance, reliefs and allowances already deducted at Step 2 or 3 must be taken into account.
- (6) Nothing in Step 2 or 3 is to be read as permitting a relief or allowance to be deducted more than once.

Textual Amendments

F133 Words in s. 25(3) inserted (15.9.2016) by [Finance Act 2016 \(c. 24\)](#), [s. 32\(4\)](#)

F134 S. 25(3) entry omitted (21.7.2008 with effect in accordance with Sch. 27 para. 30(1) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 27 para. 27\(3\)](#)

Modifications etc. (not altering text)

C28 S. 25(2) modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), [Sch. 6 para. 1\(6\)](#)

C29 S. 25(2) excluded by 2005 c. 5, s. 535(8) (as inserted (with effect in relation to the tax year 2019-20 and subsequent tax years) by [Finance Act 2020 \(c. 14\)](#), [s. 37\(2\)\(5\)](#) (with s. 37(6)))

C30 S. 25(2) modified (10.6.2021) by [Finance Act 2021 \(c. 26\)](#), [Sch. 2 para. 1\(6\)](#) (with Sch. 2 para. 3(2)(3))

C31 S. 25(2) modified (10.6.2021) by [Finance Act 2021 \(c. 26\)](#), [Sch. 2 para. 2\(6\)](#) (with Sch. 2 para. 3(2)(3))

26 Tax reductions

- (1) If the taxpayer is an individual, the provisions referred to at Step 6 of the calculation in section 23 are—
 - (a) the following—

Chapter 3 of Part 3 of this Act ^{F135}... (tax reductions for married couples and civil partners),

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[^{F136}Chapter 3A of Part 3 of this Act (transferable tax allowance for married couples and civil partners),]
 Chapter 1 of Part 5 (EIS relief),
 [^{F137}Chapter 1 of Part 5A (SEIS relief),]
 [^{F138}Chapter 1 of Part 5B (relief for social investments),]
 Chapter 2 of Part 6 (VCT relief),
 Chapter 1 of Part 7 (community investment tax relief),
 [^{F139}section 399B (relief for non-deductible interest on loan to invest in partnership with residential property business),]
 [^{F140}section 414A(3) (gift aid where devolved basic rate is above basic rate),]
 section 453 (qualifying maintenance payments),
^{F141}
 section 461 (spreading of patent royalty receipts),
 section 353(1A) of ICTA (relief for interest on loan to buy life annuity),
 [^{F142}section 192A of FA 2004 (relief at source: additional relief),]
 [^{F143}section 274A of ITTOIA 2005 (property business: relief for non-deductible costs of a dwelling-related loan),]
 section 535 of ITTOIA 2005 (top slicing relief), and
 section 539 of ITTOIA 2005 (relief for deficiencies), and

(b) the following—

^{F144}
^{F144}
 section 401 of ITTOIA 2005 (relief: [^{F145}distribution repaying shares or security issued in earlier distribution]), ^{F146} ...
 sections 677 and 678 of ITTOIA 2005 (relief where foreign estates have borne UK income tax).
 [^{F147}sections 2 and 6 of TIOPA 2010 (double taxation relief: relief by agreement), and
 section 18(1)(b) and (2) of TIOPA 2010 (relief for foreign tax where no double taxation arrangements).]

(2) In any other case, the provisions referred to at Step 6 of the calculation in section 23 are—

(a) the provisions listed in subsection (1)(b),

[^{F148}(aa) section 274B of ITTOIA 2005 (trusts with accumulated or discretionary income derived from property business: relief for non-deductible costs of dwelling-related loans),] and

(b) section 26 of FA 2005 (trusts with vulnerable beneficiary: income tax relief).

Textual Amendments

F135 Words in s. 26(1)(a) omitted (with effect in accordance with Sch. 1 para. 7 of the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), [Sch. 1 para. 6\(o\)\(ii\)](#)

F136 Words in s. 26(1)(a) inserted (with effect in accordance with s. 11(12) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [s. 11\(3\)](#)

F137 S. 26(1)(a) entry inserted (17.7.2012) (with effect in accordance with Sch. 6 para. 24(1) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 6 para. 8](#)

F138 Words in s. 26(1)(a) inserted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 11 para. 6](#)

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- F139** Words in s. 26(1)(a) inserted (18.11.2015) by [Finance \(No. 2\) Act 2015 \(c. 33\), s. 24\(8\)\(a\)](#)
- F140** Words in s. 26(1)(a) inserted (with effect in accordance with art 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\), arts. 1\(1\), 12\(3\)](#)
- F141** Words in s. 26(1)(a) omitted (17.7.2012) (with effect in accordance with Sch. 39 para. 32(6) of the amending Act) by virtue of [Finance Act 2012 \(c. 14\), Sch. 39 para. 32\(2\)\(a\)](#)
- F142** Words in s. 26(1)(a) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Scottish Rate of Income Tax \(Consequential Amendments\) Order 2015 \(S.I. 2015/1810\), arts. 1\(1\), 5\(2\)](#)
- F143** Words in s. 26(1)(a) inserted (18.11.2015) by [Finance \(No. 2\) Act 2015 \(c. 33\), s. 24\(8\)\(b\)](#)
- F144** Words in s. 26(1)(b) repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 73\(2\), Sch. 10 Pt. 1 \(with Sch. 9 paras. 1-9, 22\)](#)
- F145** Words in s. 26(1)(b) substituted (with effect in accordance with Sch. 1 para. 73 of the amending Act) by [Finance Act 2016 \(c. 24\), Sch. 1 para. 63\(2\)](#)
- F146** Word in s. 26(1)(b) repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 73\(3\), Sch. 10 Pt. 1 \(with Sch. 9 paras. 1-9, 22\)](#)
- F147** Words in s. 26(1)(b) inserted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 73\(4\) \(with Sch. 9 paras. 1-9, 22\)](#)
- F148** S. 26(2)(aa) inserted (18.11.2015) by [Finance \(No. 2\) Act 2015 \(c. 33\), s. 24\(9\)](#)

27 Order of deducting tax reductions: individuals

- (1) This section makes provision about the order in which tax reductions are to be deducted at Step 6 of the calculation in section 23, if the taxpayer is an individual.
- (2) Deduct the tax reductions in the order which will result in the greatest reduction in the taxpayer's liability to income tax for the tax year.
- (3) Subsection (2) is subject to subsections (4) to (6).
- (4) If the taxpayer is entitled to tax reductions for the tax year under more than one of the provisions listed in subsection (5), a tax reduction under a provision mentioned earlier in the list must be deducted before a tax reduction under a provision mentioned later in the list.
- (5) The provisions are—
 - Chapter 2 of Part 6 (VCT relief),
 - Chapter 1 of Part 5 (EIS relief),
 - [^{F149}Chapter 1 of Part 5A (SEIS relief),]
 - [^{F150}Chapter 1 of Part 5B (relief for social investments),]
 - Chapter 1 of Part 7 (community investment tax relief),
 - section 353(1A) of ICTA (relief for interest on loan to buy life annuity),
 - section 453 (qualifying maintenance payments),
 - ^{F151}.....
 - Chapter 3 of Part 3 of this Act ^{F152}... (tax reductions for married couples and civil partners).
- (6) If the taxpayer is entitled to a tax reduction under—

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- (a) [^{F153}sections 2 and 6 of TIOPA 2010] (double taxation arrangements: relief by agreement), or
- (b) [^{F154}section 18(1)(b) and (2) of TIOPA 2010] (relief for foreign tax where no double taxation arrangements),

that tax reduction must be deducted after any other tax reduction to which the taxpayer is entitled for the tax year.

Textual Amendments

- F149** Words in s. 27(5) inserted (17.7.2012) (with effect in accordance with Sch. 6 para. 24(1) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 6 para. 9](#)
- F150** Words in s. 27(5) inserted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 11 para. 7](#)
- F151** Words in s. 27(5) omitted (17.7.2012) (with effect in accordance with Sch. 39 para. 32(6) of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 39 para. 32\(2\)\(a\)](#)
- F152** Words in s. 27(5) omitted (with effect in accordance with Sch. 1 para. 7 of the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), [Sch. 1 para. 6\(o\)\(ii\)](#)
- F153** Words in s. 27(6)(a) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), [Sch. 8 para. 74\(a\)](#) (with [Sch. 9 paras. 1-9, 22](#))
- F154** Words in s. 27(6)(b) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), [Sch. 8 para. 74\(b\)](#) (with [Sch. 9 paras. 1-9, 22](#))

28 Order of deducting tax reductions: other persons

- (1) This section makes provision about the order in which tax reductions are to be deducted at Step 6 of the calculation in section 23, if the taxpayer is a person other than an individual.
- (2) Deduct the tax reductions in the order which will result in the greatest reduction in the taxpayer's liability to income tax for the tax year.
- (3) Subsection (2) is subject to subsections (4) and (5).
- (4) If the taxpayer is entitled to a tax reduction under—
 - (a) [^{F155}sections 2 and 6 of TIOPA 2010] (double taxation arrangements: relief by agreement), or
 - (b) [^{F156}section 18(1)(b) and (2) of TIOPA 2010] (relief for foreign tax where no double taxation arrangements),
 that tax reduction must be deducted after any other tax reduction to which the taxpayer is entitled for the tax year, subject to subsection (5).
- (5) If the taxpayer is a trustee and is entitled to a tax reduction under section 26 of FA 2005 (trusts with vulnerable beneficiary: income tax relief) that tax reduction must be deducted after any other tax reduction to which the taxpayer is entitled for the tax year.

Textual Amendments

- F155** Words in s. 28(4)(a) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), [Sch. 8 para. 75\(a\)](#) (with [Sch. 9 paras. 1-9, 22](#))

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F156 Words in s. 28(4)(b) substituted (with effect in accordance with s. 381(1) of the amending Act) by Taxation (International and Other Provisions) Act 2010 (c. 8), s. 381(1), **Sch. 8 para. 75(b)** (with Sch. 9 paras. 1-9, 22)

29 Tax reductions: supplementary

- (1) This section supplements the provisions about tax reductions in Step 6 of the calculation in section 23.
 - (2) A tax reduction may be deducted at Step 6 only so far as there is sufficient tax calculated at Step 5 of the calculation from which to deduct it.
 - (3) In deciding whether there is sufficient tax calculated at Step 5 from which to deduct a tax reduction, tax reductions already deducted at Step 6 must be taken into account.
 - (4) Subsections (2) and (3) apply in addition to—
 - (a) [^{F157}sections 36(1) to (5) and (7) and 41 of TIOPA 2010] (limits on credit for foreign tax), and
 - (b) any other provision of the Income Tax Acts that limits the amount of a tax reduction.
- ^{F158}(4A) If the taxpayer is an individual, the total of the tax reductions within subsection (4B) that are deducted at Step 6 must not be greater than—
- A – B**
- where—
- A is the amount of tax calculated at Step 5, and
B is the total amount of the tax treated under section 414 (gift aid) as deducted from gifts made by the taxpayer in the tax year.
- (4B) A tax reduction is within this subsection if it is under—
Chapter 1 of Part 5 (EIS relief),
^{F159}Chapter 1 of Part 5A (SEIS relief),]
^{F160}Chapter 1 of Part 5B (relief for social investments),]
Chapter 2 of Part 6 (VCT relief), or
Chapter 1 of Part 7 (community investment tax relief).
- (4C) Subsection (4A) applies in addition to subsections (2) and (3).]
- (5) For the purposes of this Chapter, a person is treated as being entitled to a tax reduction under [^{F161}sections 2 and 6 of TIOPA 2010] if the person is entitled to credit against income tax under double taxation arrangements.

Textual Amendments

- F157** Words in s. 29(4)(a) substituted (with effect in accordance with s. 381(1) of the amending Act) by Taxation (International and Other Provisions) Act 2010 (c. 8), s. 381(1), **Sch. 8 para. 76(2)** (with Sch. 9 paras. 1-9, 22)
- F158** S. 29(4A)-(4C) inserted (retrospective with effect in accordance with art. 1(2) of the amending S.I.) by The Income Tax Act 2007 (Amendment) (No. 2) Order 2009 (S.I. 2009/2859), **art. 4(2)(b)**
- F159** Words in s. 29(4B) inserted (with effect in accordance with s. 56(5) of the amending Act) by Finance Act 2013 (c. 29), **s. 56(2)**
- F160** Words in s. 29(4B) inserted (17.7.2014) by Finance Act 2014 (c. 26), **Sch. 11 para. 8**

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F161 Words in s. 29(5) substituted (with effect in accordance with s. 381(1) of the amending Act) by Taxation (International and Other Provisions) Act 2010 (c. 8), s. 381(1), **Sch. 8 para. 76(3)** (with Sch. 9 paras. 1-9, 22)

30 Additional tax

(1) If the taxpayer is an individual, the provisions referred to at Step 7 of the calculation in section 23 are—

[^{F162}section 414A(4) read with section 414A(5) (gift aid where devolved basic rate is below basic rate),]

section 424 (gift aid: charge to tax),

[^{F163}section 809ZN (tainted gift aid donations: charge to tax),]

[^{F163}section 809ZO (tainted charity donations by trustees: charge to tax),]

[^{F164}Chapter 8 of Part 10 of ITEPA 2003 (high income child benefit charge),]

[^{F165}section 192B of FA 2004 (relief at source: excessive relief given),]

section 205 of FA 2004 (pension schemes: the short service refund lump sum charge),

^{F166} ...

section 206 of FA 2004 (pension schemes: the special lump sum death benefits charge),

[^{F167}section 208] of FA 2004 (pension schemes: the unauthorised payments charge),

[^{F168}section 209] of FA 2004 (pension schemes: the unauthorised payments surcharge),

section 214 of FA 2004 (pension schemes: the lifetime allowance charge),

section 227 of FA 2004 (pension schemes: the annual allowance charge), and

[^{F169}section 244A of FA 2004 (pension schemes: the overseas transfer charge),]

section 7 of F(No.2)A 2005 (social security pension lump sum).

[^{F170}(2) If the taxpayer is a trustee, the provisions referred to at Step 7 of the calculation in section 23 are—

section 496 (discretionary payments by trustees: tax pool adjustment),

section 809ZN (tainted gift aid donations: charge to tax), and

section 809ZO (tainted charity donations by trustees: charge to tax).]

Textual Amendments

F162 Words in s. 30(1) inserted (with effect in accordance with art 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **12(4)**

F163 Words in s. 30(1) inserted (19.7.2011) (with effect in accordance with Sch. 3 para. 27 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 3 para. 8(a)**

F164 Words in s. 30(1) inserted (17.7.2012) (with effect in accordance with Sch. 1 para. 7 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), **Sch. 1 para. 6(3)**

F165 Words in s. 30(1) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Scottish Rate of Income Tax \(Consequential Amendments\) Order 2015 \(S.I. 2015/1810\)](#), arts. 1(1), **5(3)**

F166 Words in s. 30(1) omitted (with effect in accordance with Sch. 5 para. 4 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), **Sch. 5 para. 3(2)**

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- F167** Words in s. 30(1) substituted (with effect in accordance with s. 99(2) of the amending Act) by [Finance Act 2022 \(c. 3\), s. 99\(1\)\(a\)](#)
- F168** Words in s. 30(1) substituted (with effect in accordance with s. 99(2) of the amending Act) by [Finance Act 2022 \(c. 3\), s. 99\(1\)\(b\)](#)
- F169** Words in s. 30(1) inserted (with effect in accordance with s. 99(2) of the amending Act) by [Finance Act 2022 \(c. 3\), s. 99\(1\)\(c\)](#)
- F170** S. 30(2) substituted (19.7.2011) (with effect in accordance with Sch. 3 para. 27 of the amending Act) by [Finance Act 2011 \(c. 11\), Sch. 3 para. 8\(b\)](#)

31 Total income: supplementary

- (1) This section applies for the purposes of calculating total income.
- (2) Income from which a deduction in respect of income tax is to be made (or treated as made) at the basic [^{F171}rate][^{F172}, the Welsh basic rate][^{F173}or the Scottish basic rate]^{F174} ... in force for a tax year is treated as income of that tax year.
- ^{F175}(3)
- (4) [^{F176}Subsection (2) applies] even if all or part of the income, or the dividend or other distribution, accrued or will accrue in a different tax year.
- (5) An assessment that has become final and conclusive for income tax purposes for a tax year is also final and conclusive for the purposes of calculating total income.

Textual Amendments

- F171** Word in s. 31(2) inserted (with effect in accordance with s. 11(12) of the amending Act) by [Finance Act 2014 \(c. 26\), s. 11\(4\)](#)
- F172** Words in s. 31(2) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\), arts. 1\(1\), 12\(5\)](#)
- F173** Words in s. 31(2) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Scottish Rate of Income Tax \(Consequential Amendments\) Order 2015 \(S.I. 2015/1810\), arts. 1\(1\), 14\(2\)](#)
- F174** Words in s. 31(2) omitted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\), Sch. 1 para. 12](#)
- F175** S. 31(3) omitted (with effect in accordance with Sch. 1 para. 73 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\), Sch. 1 para. 63\(3\)\(a\)](#)
- F176** Words in s. 31(4) substituted (with effect in accordance with Sch. 1 para. 73 of the amending Act) by [Finance Act 2016 \(c. 24\), Sch. 1 para. 63\(3\)\(b\)](#)

32 Liability not dealt with in the calculation

The liabilities referred to in section 22(2) are income tax liability—
[^{F177}under section 74C(5) (non-active traders: withdrawal of relief),]
under section 79(1) (capital allowances restrictions: withdrawal of relief),
under section 81(6) (dealings in commodity futures: withdrawal of relief),
under [^{F178}section 103B(5)] (non-active partners: withdrawal of relief),
under section 235 (withdrawal or reduction of EIS relief),
[^{F179}under section 257G (withdrawal or reduction of SEIS relief),]

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[^{F180} under section 257S (withdrawal or reduction of relief for social investments),
 under sections 266 to 270 (withdrawal or reduction of VCT relief),
 under section 372 (withdrawal or reduction of CITR),
 under section 512 (heritage maintenance settlements: application of property for non-heritage purposes),
 under Chapter 1 of Part 13 (transactions in securities),
 under regulations made under section 918(4) (foreign payers of manufactured dividends: Real Estate Investment Trusts: the reverse charge),
 under section 920 or 923 (foreign payers of manufactured interest or manufactured overseas dividends: the reverse charge),
 under Chapter 15, 16 or 17 of Part 15 (deduction of tax at source: collection mechanisms),
^{F181}
 under paragraph 11(3) of Schedule 20 to FA 1994 (recovery of excess credit for overseas tax: changes for facilitating self-assessment),
 of the person who is (or persons who are) the responsible person in relation to an employer-financed retirement benefits scheme under section 394(2) of ITEPA 2003,
 under Chapter 5 of Part 4 of FA 2004 (registered pension schemes: tax charges), except any liability under a provision mentioned in section 30(1), ^{F182} ...
 under section 682(4) of ITTOIA 2005 (assessments, adjustments and claims after the administration period), so far as the liability represents a tax reduction given effect at Step 6 of the calculation in section 23^{F183}, and
 under section 24(4) of TIOPA 2010 (recovery of excess credit for overseas tax).]

Textual Amendments

- F177** Words in s. 32 inserted (21.7.2008 with effect in accordance with Sch. 21 paras. 6, 7 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 21 para. 3**
- F178** Words in s. 32 substituted (retrospective to 6.4.2007) by [Finance Act 2007 \(c. 11\)](#), **Sch. 4 paras. 5, 21**
- F179** Words in s. 32 inserted (with effect in accordance with s. 56(5) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), **s. 56(3)**
- F180** Words in s. 32 inserted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 11 para. 9**
- F181** Words in s. 32 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), **Sch. 8 para. 77(2)**, **Sch. 10 Pt. 1** (with **Sch. 9 paras. 1-9, 22**)
- F182** Word in s. 32 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), **Sch. 8 para. 77(3)**, **Sch. 10 Pt. 1** (with **Sch. 9 paras. 1-9, 22**)
- F183** Words in s. 32 inserted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), **Sch. 8 para. 77(4)** (with **Sch. 9 paras. 1-9, 22**)

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 24B inserted by [2023 c. 30 Sch. 2 para. 10\(3\)](#)
- s. 788(7) inserted by [2007 c. 29 Sch. 21 para. 161\(b\)](#) (The amending provision was repealed before coming into force.)