

**1 Charge and main rates for 2012-13**

- (1) Income tax is charged for the tax year 2012-13.
- (2) For that tax year –
  - (a) the basic rate is 20%,
  - (b) the higher rate is 40%, and
  - (c) the additional rate is 50%.

**2 Basic rate limit for 2012-13**

- (1) For the tax year 2012-13 the amount specified in section 10(5) of ITA 2007 (basic rate limit) is replaced with “£34,370”.
- (2) Accordingly section 21 of that Act (indexation of limits), so far as relating to the basic rate limit, does not apply for that tax year.

**3 Personal allowance for 2012-13 for those aged under 65**

- (1) For the tax year 2012-13 the amount specified in section 35(1) of ITA 2007 (personal allowance for those aged under 65) is replaced with “£8,105”.
- (2) Accordingly section 57 of that Act (indexation of allowances), so far as relating to the amount specified in section 35(1) of that Act, does not apply for that tax year.

**EXPLANATORY NOTE**

**CHARGE AND MAIN RATES FOR 2012-13**

**SUMMARY**

1. This clause imposes the income tax charge for 2012-13 and sets the basic rate of income tax at 20 per cent, the higher rate at 40 per cent and the additional rate at 50 per cent.

**DETAILS OF THE CLAUSE**

2. Subsection 1 imposes the income tax charge for 2012-13.
3. Subsection 2(a) sets the basic rate of income tax at 20 per cent.
4. Subsection 2(b) sets the higher rate of income tax at 40 per cent.
5. Subsection 2(c) sets the additional rate of income tax at 50 per cent.

**BACKGROUND NOTE**

6. Income tax is imposed annually by Parliament. The main rates of income tax are also set each year, even where the rates set are the same as for the previous year. The table below sets out the main rates and rate limits for 2012-13, and for reference includes the amounts for 2011-12:

	2011-12	2012-13
Basic rate	£0 - £35,000 at 20 per cent	£0 - £34,370 at 20 per cent
Higher rate	£35,001 - £150,000 at 40 per cent	£34,371 - £150,000 at 40 per cent
Additional rate	Over £150,000 at 50 per cent	Over £150,000 at 50 per cent

7. If you have any questions about this change, or comments on the legislation, please contact Paul Thomas on 020 7147 2479 (email: paul.thomas@hmrc.gsi.gov.uk) or Barbara Jones on 020 7147 2491 (email: Barbara.e.jones@hmrc.gsi.gov.uk).

**EXPLANATORY NOTE**

**BASIC RATE LIMIT FOR 2012-13**

**SUMMARY**

1. This clause sets the amount of the basic rate limit for income tax at £34,370 for 2012-13.

**DETAILS OF THE CLAUSE**

2. Subsection (1) replaces the existing amount of the basic rate limit in section 10(5) of the Income Tax Act 2007 (£35,000) with £34,370 for 2012-13.
3. Subsection (2) disapplies the indexation provisions for the basic rate limit for 2012-13.

**BACKGROUND NOTE**

4. An individual's taxable income is charged to tax at the basic rate of tax up to the basic rate limit.
5. The basic rate limit is subject to indexation (an annual increase based upon the percentage increase to the retail prices index). Parliament can over-ride indexed amounts by a provision in the Finance Bill.
6. The table below sets out the amount of the basic rate limit for 2011-12, the indexed amount for 2012-13 and the amount specified by this clause for 2012-13:

2011-12	2012-13 indexed	2012-13 by this clause
£35,000	£37,000	£34,370

7. The effect of this clause is to over-ride the indexed amount for the basic rate limit. This clause is part of a package of measures, together with a further clause in this Bill, that sets the personal allowance for those aged under 65 in an amount above indexation.
8. If you have any questions about this change, or comments on the legislation, please contact Paul Thomas on 020 7147 2479 (email [paul.thomas@hmrc.gsi.gov.uk](mailto:paul.thomas@hmrc.gsi.gov.uk)) or Barbara Jones on 020 7147 2491 (email [Barbara.e.jones@hmrc.gsi.gov.uk](mailto:Barbara.e.jones@hmrc.gsi.gov.uk)).

**EXPLANATORY NOTE**

**PERSONAL ALLOWANCE FOR 2012-13 FOR THOSE AGED UNDER 65**

**SUMMARY**

1. This clause sets the amount of the personal allowance for those aged under 65 at £8,105 for 2012-13.

**DETAILS OF THE CLAUSE**

2. Subsection 1 replaces the existing amount of the personal allowance for those aged under 65 in section 35(1) of the Income Tax Act 2007 (£7,475) with £8,105 for 2012-13.
3. Subsection 2 disapplies the indexation provisions for the personal allowance for those aged under 65 for 2012-13.

**BACKGROUND NOTE**

4. An individual is entitled to a personal allowance for income tax. The amount depends upon the individual's age and income.
5. Income tax personal allowances are subject to indexation (an annual increase based upon the percentage increase to the retail prices index). Parliament can over-ride indexed amounts by a provision in the Finance Bill.
6. The table below sets out the amount of the personal allowance for those aged under 65 for 2011-12, the indexed amount for 2012-13 and the amount specified by this clause for 2012-13:

2011-12	2012-13 indexed	2012-13 by this clause
£7,475	£7,895	£8,105

7. The effect of this clause is to over-ride the indexed amount for the personal allowance for those aged under 65. This clause is part of a package of measures together, with a further clause in this Bill, that sets the basic rate limit in an amount below indexation.
8. If you have any questions about this change, or comments on the legislation, please contact Paul Thomas on 020 7147 2479 (email: paul.thomas@hmrc.gsi.gov.uk) or Barbara Jones on 020 7147 2491 (email: Barbara.e.jones@hmrc.gsi.gov.uk).



- (e) the amount specified in section 43 (tax reductions for married couples and civil partners: the minimum amount)(b) is replaced with “£2,960”;
- (f) in section 45 (marriages before 5 December 2005: married couple’s allowance)—
  - (i) the amount specified in subsection (3)(a)(c) is replaced with “£7,705”;
  - (ii) the amount specified in subsection (3)(b)(d) is replaced with “£7,595”;
- (g) in section 46 (marriages and civil partnerships on or after 5 December 2005: married couple’s allowance)—
  - (i) the amount specified in subsection (3)(a)(e) is replaced with “£7,705”;
  - (ii) the amount specified in subsection (3)(b)(f) is replaced with “£7,595”;
- (h) the amount specified in each of sections 36(2), 37(2), 45(4), 46(4) (adjusted net income limit)(g) is replaced with “£25,400”.

Name  
Name

Date Two of the Lords Commissioners of Her Majesty’s Treasury

### EXPLANATORY NOTE

*(This note is not part of the Order)*

For the tax year 2012-13 this Order replaces certain amounts specified in the Income Tax Act 2007 with new, increased amounts. In accordance with the method provided by sections 21 and 57, the increases are calculated by reference to the increase in the retail prices index. Where the retail prices index for the September before the start of the tax year is higher than it was for the previous September an order must be made replacing those amounts. The retail prices index has increased and this Order sets out the new rate limits and allowances for the tax year 2012-13.

Increases made pursuant to section 21(5) are to the basic rate limit and the starting rate limit for savings. Increases made pursuant to section 57(6) are to personal allowances, married couple’s allowance, blind person’s allowance, the income limit for certain of the personal allowances and the married couple’s allowance (“the adjusted net income limit”) and the minimum amount of the married couple’s allowance (“the minimum amount”).

The basic rate limit and the personal allowance for those aged under 65 were last amended by the Finance Act 2011 (c. 11). The other amounts were last increased by the Income Tax (Indexation) Order 2010 (S.I. 2010/2879).

In line with government commitments, a Tax Information and Impact Note has not been prepared for this instrument as it gives effect to previously announced policy and relates to a predetermined indexation formula.

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(a) The amount specified in section 38(1) was last substituted by article 4(d) of S.I. 2010/2879.  
 (b) The amount specified in section 43 was last substituted by article 4(e) of S.I. 2010/2879.  
 (c) The amount specified in section 45(3)(a) was last substituted by article 4(f)(i) of S.I. 2010/2879.  
 (d) The amount specified in section 45(3)(b) was last substituted by article 4(f)(ii) of S.I. 2010/2879.  
 (e) The amount specified in section 46(3)(a) was last substituted by article 4(g)(i) of S.I. 2010/2879.  
 (f) The amount specified in section 46(3)(b) was last substituted by article 4(g)(ii) of S.I. 2010/2879.  
 (g) Section 36(2) was amended by section 4(2) of FA 2009. Section 37(2) was amended by section 4(2) of FA 2009. The amount specified in each of the provisions in this sub-paragraph was substituted by article 4(h) of S.I. 2010/2879.