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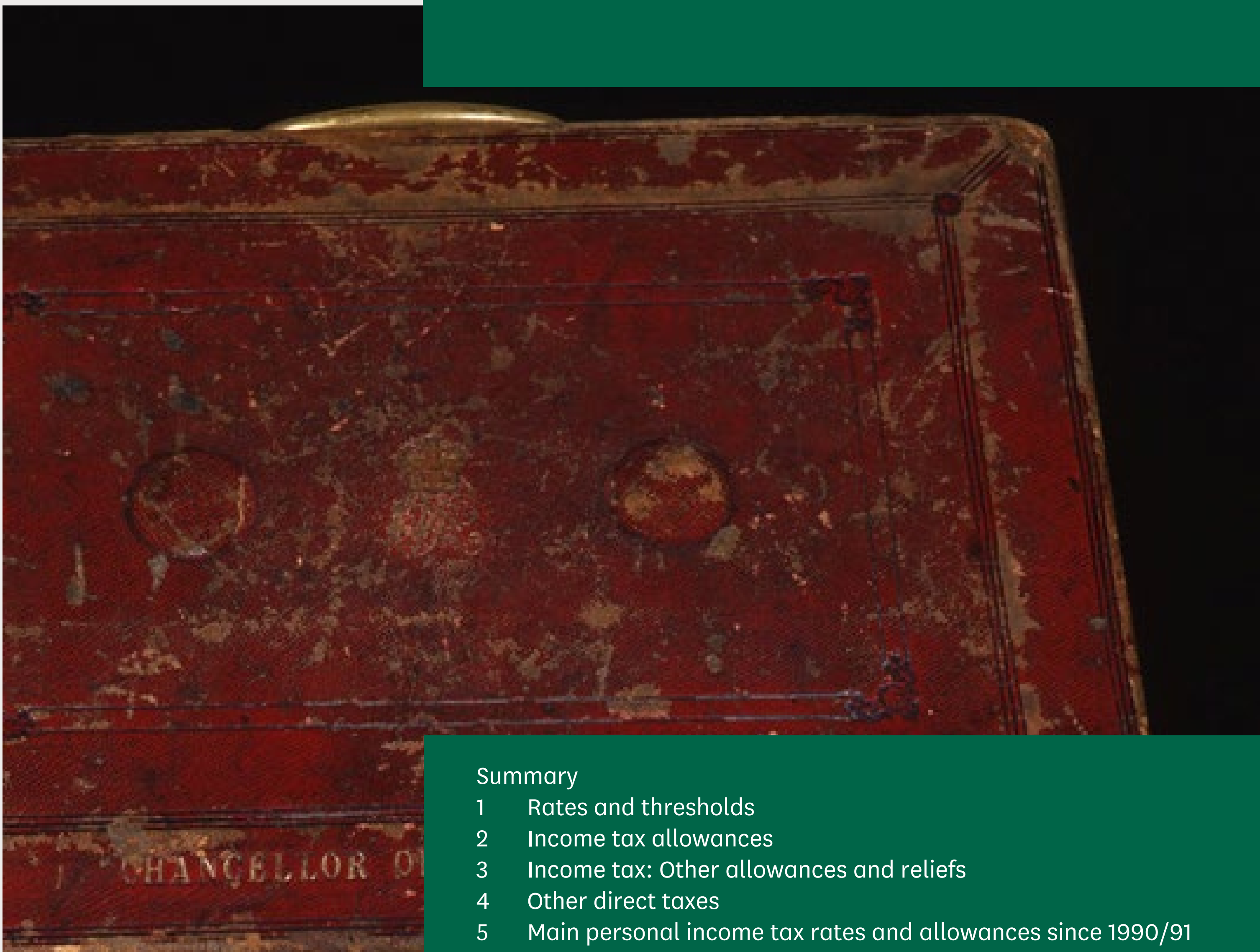
Direct taxes: Rates and allowances for 2024/25



Summary

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Summary

Direct taxes are paid directly by the taxpayer to the government. For individuals, the main direct taxes in the UK are income tax and National Insurance contributions. Indirect taxes are collected by another party – such as a retailer or a producer – and then paid to the government. The main indirect taxes in the UK are VAT and excise duties, charged on alcohol, tobacco, and road fuel.

This briefing sets out direct tax rates and principal tax allowances for the 2024/25 tax year. It describes the conditions necessary for eligibility for these tax allowances and provides a summary of the general tax position in straightforward cases.

This briefing deals with tax allowances, but not with cash benefits provided under the social security system, child tax credit or working tax credit.

Income tax

Income tax on earned income is charged at three rates: the basic rate, the higher rate and the additional rate.

For 2024/25 these three rates are 20%, 40% and 45% respectively.

Tax is charged on 'taxable income' at the basic 20% rate up to the basic rate limit, set at £37,700. Taxable income excludes personal allowances, which are the amount of money someone can receive without having to pay tax on it.

The higher 40% rate is charged on taxable income between the basic rate limit and the additional rate threshold, set at £125,140.

The additional 45% rate is charged on taxable income over £125,140.

All three tax rates and thresholds are unchanged from 2023/24.

Personal allowance

The personal allowance for income tax is set at £12,570 for 2024/25. Like the basic rate limit, the personal allowance has been fixed in value since 2021/22.

Marriage allowance

Married couples and civil partners may be entitled to claim the marriage allowance. Individuals whose income is insufficient to make full use of their personal allowance can transfer this unused fraction to their spouse or civil partner, up to a set amount.

Individuals cannot make use of this provision if their spouse or partner pays more than the basic rate of tax.

For 2024/25 the maximum that can be transferred is £1,260.

National Insurance contributions

The main rate of National Insurance contributions (NICs) for employees is cut by two percentage points from 10% to 8% from 6 April 2024.

The main rate is charged on all earnings between the primary threshold and the upper earnings limit. This follows a previous rate cut from 12% to 10%, announced in the 2023 Autumn Statement, which took effect from 6 January 2024. Employee earnings above the upper earnings limit are charged at 2%. This rate is unchanged for 2024/25.

The rate of NICs for employers is set at 13.8% on earnings above the secondary threshold. This rate is unchanged for 2024/25.

The primary threshold for employees is £242 per week for 2024/25. The upper earnings limit is set at £967 per week for 2024/25, so that it remains aligned with the income tax higher rate threshold. The secondary threshold is set at £175 per week for 2024/25. All three thresholds are unchanged from 2023/24.

Further information

Details of tax rates and allowances as well as tax credits for the 2024/25 year are set out in Annex A to HM Revenue & Customs, Overview of Tax Legislation and Rates, March 2024 published alongside the Spring Budget 2024.

1 Rates and thresholds

1.1 Income tax

Income from earnings, pensions, profits

All 'non-savings' income – income from earnings, pensions, taxable social security benefits, trading profits and income from property – are subject to income tax at the same rates.

For 2024/25 income tax on these categories of income is charged at three rates: the basic rate of 20%, the higher rate of 40% and the additional rate of 45%. All three rates are unchanged from 2023/24.[1]

The 20% basic rate applies to taxable income up to a threshold of £37,700. Taxable income excludes personal allowances, which represent the amount of money someone may receive free of tax. (Personal allowances are discussed in section 2 of this paper.)

Taxable income in excess of the threshold is charged at the higher rate of 40%, up to £125,140. Income earned above this threshold is charged tax at 45%.

Income tax rates and thresholds for 2023/24 and 2024/25 are set out in the table below.

Taxable rates (income tax)

2023/24 and 2024/25

2023/24		2024/25	
Taxable income	Tax rate	Taxable income	Tax rate
£12,571 - £50,270	20%	£12,571 - £50,270	20%
£50,271 - £125,140	40%	£50,271 - £125,140	40%
Over £125,140	45%	Over £125,140	45%

Source: HM Government, Income Tax rates and Personal Allowances, GOV.UK, accessed 5 April 2024

Two new allowances which apply to income from property and income from trading were introduced from April 2017. Individuals with property income or

1 HM Revenue & Customs (HMRC), Overview of Tax Legislation and Rates, March 2024 (Annex A)

trading income below the level of the allowance do not need to declare this income or pay tax on it. Both allowances are set at £1,000 for 2024/25.[2]

Income tax in Scotland

From 2017/18 the Scottish Government has had the power to set all income tax rates and thresholds to apply to Scottish taxpayers' non-savings and non-dividend income. It does not have the power to set the personal allowance.

For 2024/25 the Scottish Government has set six rates of income tax: the starter rate of 19%; the basic rate of 20%; the intermediate rate of 21%; the higher rate of 42%; the advanced rate of 45%; and the top rate of 48%. It has also set the five thresholds at which these rates take effect.[3] The rates and thresholds for 2023/24 and 2024/25 are set out in the table below:

Taxable income rates (income tax) for Scotland

2023/24 and 2024/25

2023/24		2024/25	
Taxable income	Tax rate	Taxable income	Tax rate
£12,571 - £14,732	19%	£12,571 - £14,876	19%
£14,733 - £25,688	20%	£14,877 - £26,561	20%
£25,689 - £43,662	21%	£26,562 - £43,662	21%
£43,663 - £125,140	42%	£43,663 - £75,000	42%
N/A	N/A	£75,001 - £125,140	45%
Above £125,140	47%	Above £125,140	48%

Source: Revenue Scotland, Scottish Income Tax 2024 to 2025: factsheet, gov.scot, 19 December 2023

Savings and dividend income

For 2024/25 savings income – such as interest income – is charged at 0% for income up to £5,000.[4] Above this limit savings income is charged tax at the basic rate of 20%, up to the basic rate limit of £37,700. Savings income above this limit is charged at the 40% higher rate, up to the higher rate limit of £125,140. Savings income above this limit is charged at the 45% additional rate. These rates are unchanged for 2024/25.[5]

2 HMRC, Tax-free allowances on property and trading income, May 2019. see also, Low Incomes Tax Reform Group (LITRG), Trading allowance, and, Property income, updated 6 April 2023.

3 Scottish Government, Scottish Income Tax 2024 to 2025: rates and bands, 19 December 2023

4 The £5,000 starting rate of savings is reduced by £1 for every £1 someone's income from other income (such as earnings) exceeds the personal allowance. For details see, HMRC, Tax on savings interest, accessed April 2024; LITRG, Starting rate for savings, updated 6 April 2023

5 HMRC, Overview of Tax Legislation and Rates, March 2024 (Annex A)

Since April 2016 savers have been entitled to claim a Personal Savings Allowance (PSA). This applies a 0% rate for up to £1,000 of savings income for basic rate taxpayers. The allowance applies a 0% rate for up to £500 of savings income for higher rate taxpayers. Additional rate taxpayers are not eligible for the allowance. Historically savings income has been taxed at source by banks and building societies at 20%. Alongside the introduction of the PSA, automatic deduction of tax at source was withdrawn.[6]

For 2024/25 dividend income is charged at 0% for income up to £500 – the Dividend Allowance. In Autumn Statement 2022 Chancellor Jeremy Hunt announced that the Dividend Allowance would be cut from £2,000 to £1,000 from April 2023, and then to £500 from April 2024.[7]

Dividend income is charged tax at a rate of 8.75% above this limit, up to the basic rate limit. Dividend income above this limit is charged at a higher rate of 33.75%, up to the additional rate threshold. Dividend income above this limit is charged at an additional rate of 39.35%. These rates are unchanged for 2024/25.[8]

When determining which rate band applies to dividend and savings income, they are regarded as the 'top slice' of income, with dividends the highest.[9]

1.2 National Insurance contributions

National Insurance contributions (NICs) are paid by employees, employers and the self-employed, and used to fund contributory benefits – primarily the state pension. Entitlement to contributory benefits is based on someone's National Insurance payment record.[10]

Class 1 NICs: Employees and employers

Employees

Employees are liable to Class 1 (primary) National Insurance contributions (NICs) on their earnings if they exceed the lower earnings limit (LEL).

The LEL is set at £123 per week for 2024/25. Employees are charged NICs at a 0% rate on earnings between the LEL and the primary threshold (PT). The PT is set at £242 per week for 2024/25. The purpose of the zero rate is to ensure

6 For more details see, HMRC, Tax on savings interest, accessed April 2024; LITRG, Personal savings allowance, updated 6 April 2023

7 Autumn Statement 2022, CP 751, (PDF) November 2022 para 5.21; HMRC, Income Tax: Reducing the Dividend Allowance, 21 November 2022

8 HMRC, Overview of Tax Legislation and Rates, March 2024 (Annex A)

9 For more details see, HMRC, Savings and Investment Manual para SAIM1090, accessed April 2024; LITRG, Tax on savings and investments, updated 6 April 2023

10 see, HMRC, What National Insurance is for, accessed April 2024; HMRC, Rates and allowances: National Insurance contributions, updated 6 January 2024

those whose earnings fall in this band can still build up their entitlement to contributory benefits.

Earnings above the PT are charged the main rate of NICs, which is set at 8% for 2024/25. In the Spring Budget 2024 Chancellor Jeremy Hunt announced that the main rate would be cut by two percentage points from 10% to 8% from 6 April 2024.[11]

This measure follows a cut in the main rate from 12% to 10% that the Chancellor announced in Autumn Statement 2023, which took effect from 6 January 2024.[12]

Earnings are charged at the main NICs rate between the PT and the upper earnings limit (UEL). The UEL is set at £967 per week for 2024/25. Earnings above the UEL are charged NICs at a rate of 2%. This rate is unchanged for 2024/25.[13]

There have been a series of changes to Class 1 NICs rates and thresholds since 2021. These are summarised in Box 1 below.

1 Recent changes to NICs rates and allowances

Budget 2021: Freeze of income tax thresholds

In the 2021 Budget, then Chancellor Rishi Sunak announced that the income tax personal allowance and higher rate threshold would be frozen for a four year period, from 2022/23 to 2025/26, rather than being increased each year in line with inflation.[14]

September 2021: The Health and Social Care Levy

On 7 September 2021, then Prime Minister Boris Johnson announced that a new tax, the Health and Social Care Levy, would be introduced to increase funding in health and social care. The Levy would be based on NICs. In 2022/23, the Levy would be collected by an increase in the rates of Class 1 and Class 4 NICs of 1.25 percentage points. This was implemented on 6 April 2022.

Spring Statement 2022: Increase of the primary threshold

In the 2022 Spring Statement the then Chancellor Rishi Sunak announced that the PT would be increased to £242 during the 2022/23 tax year, so that it was

11 HM Treasury (HMT), Spring Budget 2024, HC 560, (PDF) March 2024 para 5.52
12 HMT, Autumn Statement 2023, HC 977, (PDF) November 2023 para 5.13
13 HMRC, Overview of Tax Legislation and Rates, March 2024 (Annex A)
14 HMT, Budget 2021, HC 1226, (PDF) March 2021 para 2.74

aligned with the personal allowance.[15] The PT was set at £190 a week from 6 April 2022, and then was increased to £242 a week from 6 July 2022.[16]

The then Chancellor said that NICs and income tax thresholds would remain aligned. This meant that NICs thresholds would remain at the same level until 2025/26.

Growth Plan 2022: The abolition of the Health and Social Care Levy

In his Growth Plan statement on 23 September 2022, then Chancellor Kwasi Kwarteng announced that the Health and Social Care Levy would be abolished, and that the 1.25 percentage point increase in Class 1 and 4 NICs would be reversed.[17] From 6 November 2022, Class 1 and 4 NICs rates returned to their pre-Levy level.[18]

Autumn Statement 2022

In the 2022 Autumn Statement Chancellor Jeremy Hunt extended the freeze to income tax thresholds until 2027/28. He added that the PT would remain aligned with the personal allowance over this period of time.[19]

Autumn Statement 2023

In the 2023 Autumn Statement, Chancellor Jeremy Hunt announced that the main rate of Class 1 NICs would be reduced from 12% to 10%.[20] The Government introduced legislation – the National Insurance Contribution (Reduction in Rates) Act 2023 – so that the measure could be implemented on 6 January 2024. The Library research briefing on this legislation has further background.[21]

Spring Budget 2024

In the 2024 Spring Budget Chancellor Jeremy Hunt announced that the main rate of Class 1 NICs would be cut from 10% to 8% for 2024/25.[22] The Government introduced legislation following the Budget statement – the National Insurance Contributions (Reduction in Rates) (No.2) Act 2024 – so that this rate cut could take effect from the start of the new tax year, 6 April 2024. The Library research briefing on this legislation has further background.[23]

15 HMT, Spring Statement, CP 653, (PDF) March 2022 para 2.11

16 HMRC, National Insurance: Increase to Primary Threshold and the Lower Profits Limit, 23 March 2022

17 HC Deb 23 September 2022 cc937-938

18 HMT, Reversal of the Health and Social Care Levy Factsheet, 23 September 2022

19 HMT, Autumn Statement 2022, CP 751, (PDF) November 2022 para 5.17. For more details see, Commons Library research briefing CBP-9186 Spring Budget 2021: personal allowance and higher rate threshold.

20 HMT, Autumn Statement 2023, HC 977, (PDF) November 2023 para 5.13

21 Commons Library research briefing CBP-9898, National Insurance Contributions (Reduction in Rates) Bill 2023-24

22 HC Deb 6 March 2024 c851

23 Commons Library research briefing CBP-9982, National Insurance Contributions (Reduction in Rates) (No.2) Bill 2023-24

The UEL is aligned with the higher rate threshold, the point at which taxpayers start to pay the 40% higher rate of income tax. Both thresholds are to be frozen for the next five tax years up to April 2028, in the same way as the personal allowance and the PT.[24]

Prior to 6 April 2016 employees were charged a reduced rate of NICs if they had contracted out of the state second pension (S2P). These arrangements ended with the introduction of the 'single-tier' state pension, and the closure of the additional state pension, from this date.[25]

Employers

Employers pay Class 1 (secondary) NICs on employee earnings on earnings above the secondary threshold at the rate of 13.8%. The ST is set at £175 per week for 2024/25, unchanged from the year before. In the Autumn Statement 2022 Chancellor Jeremy Hunt announced that the secondary threshold would frozen for the five-year period 2023/24 to 2027/28.[26]

NICs rates and thresholds for both employees and employers for 2022/23, 2023/24, and 2024/25 are set out in the two tables below.

Class 1 NICs rates for employees

2022/23 to 2024/25

Earnings per week[a]	NICs rate (6 April 2022- 5 November 2023)	NICs rate (6 November 2022 - 5 April 2023)	NICs rate (6 April 2023 - 5 January 2024)	NICs rate (6 January 2024 - 5 April 2024	NICs rate (6 April 2024 - 5 April 2025
Below £123 (LEL)	0%	0%	0%	0%	0%
£123 to £190/242[b] (PT)	0%	0%	0%	0%	0%
£190/242 to £967 (UEL)	13.25%	12%	12%	10%	8%
Above £967	3.25%	2%	2%	2%	2%

[a] LEL: Lower Earnings Limit; PT: Primary Threshold; UEL: Upper Earnings Limit

[b] The PT was set at £190 from 6 April to 5 July 2022, and at £242 from 6 July 2023.

Source: HMRC, Rates and thresholds for employers 2022 to 2023, Rates and thresholds for employers 2023 to 2024, and Rates and thresholds for employers 2024 to 2025, GOV.UK, accessed 5 April 2024

24 HMT, Autumn Statement 2022, CP 751, (PDF) November 2022 para 5.17

25 For details see, Commons Library research briefing CBP-7414 The new State Pension: transitional issues.

26 HMT, Autumn Statement 2022, CP 751, (PDF) November 2022 para 5.26

Class 1 NICs rates for employers

2022/23 to 2024/25

Earnings per week[c]	NICs rate (6 April 2022- 5 November 2023)	NICs rate (6 November 2022 - 5 April 2023)	NICs rate (6 April 2023 - 5 April 2024)	NICs rate (6 April 2024 - 5 April 2025)
Below £123 (LEL)	0%	0%	0%	0%
£123 to £175 (ST)	0%	0%	0%	0%
Above £175	15.05%	13.8%	13.8%	13.8%

[c] LEL: Lower Earnings Limit; ST: Secondary Threshold

Source: HMRC, Rates and thresholds for employers 2022 to 2023, Rates and thresholds for employers 2023 to 2024, and Rates and thresholds for employers 2024 to 2025, GOV.UK, accessed 5 April 2024

Employer reliefs for Class 1 (secondary) NICs

Employers may be entitled to one of a number of tax reliefs on their payment of employer NICs.

- The Employment Allowance, which was announced in Budget 2013, to apply from April 2014.[27] This provides a flat rate deduction for businesses and charities against their annual employer NICs bill. Initially the Allowance was set at £2,000, but was increased to £3,000 from April 2016, to £4,000 from April 2020, and to £5,000 from April 2022.[28] The Allowance may only be claimed by employers with employer NICs below £100,000 in their previous tax year.[29] Further details on the operation of the Allowance are published by HMRC.[30]

- An Upper Secondary Threshold (UST) for under 21s, which was announced in Autumn Statement 2013.[31] From April 2015 a zero rate has applied to earnings on this category of employee up to the UST set in line with the UEL.

- An Apprentice Upper Secondary Threshold (AUST), which was announced in Autumn Statement 2014.[32] From April 2016 a zero rate has also applied

27 HMT, Budget 2013, HC 1033, (PDF) March 2013 para 2.41. Statutory provision for the new allowance was made by sections 1-8 of the National Insurance Contributions Act 2014.

28 These increases in the Allowance were made by Order: SI 2016/63, SI 2020/273 and SI 2022/364.

29 HMT, Budget 2018, HC 1629, (PDF) October 2018 para 3.11. This change was made by Order: SI 2020/218.

30 HMRC, Employment Allowance, accessed April 2024

31 HMT, Autumn Statement 2013, Cm 8747, (PDF) December 2013 para 1.195. Statutory provision for the UST was made by section 9 of the National Insurance Contributions Act 2014.

32 HMT, Autumn Statement 2014, Cm 8961, (PDF) December 2014 para 2.53. Statutory provision for the AUST was made by section of the National Insurance Contributions Act 2015.

to earnings on this second category of employees up to the AUST, also aligned with the UEL.

- A Veteran Upper Secondary Threshold (VUST), announced in Budget 2020, for employers of veterans to apply in their first year of civilian life.[33] From April 2021 a zero rate has applied to earnings on this category of employees up the VUST, which is aligned with the UEL.

- A Freeport Upper Secondary Threshold (FUST), announced in Spring Budget 2021, for employers taking on employees in a Freeport. From April 2022 a zero rate has applied to earnings on this category of employees up to the FUST, which is set at £481 per week.[34] In Spring Budget 2023 the Government announced this relief would be extended to employers taking on employees in an Investment Zone. From April 2023 the zero rate applies on relevant earnings up to an Investment Zone Upper Secondary Threshold (IZUST), which is aligned with the FUST.[35]

Class 2 and Class 4 NICs: The self-employed

Historically self-employed people have been liable to pay Class 2 NICs (a weekly flat rate charge) and a Class 4 NICs (a profits-related contribution). Payment of Class 2 NICs counts towards entitlement to certain contributory benefits, including the new state pension. Payment of Class 4 NICs does not count towards any state benefits.[36]

Class 2 NICs

The structure of Class 2 NICs has been substantially reformed over the past two years.

Prior to 2022/23 individuals were required to pay Class 2 NICs if their annual profits exceeded a set threshold: the Small Profits Threshold (SPT). Those with profits below the SPT may choose to pay Class 2 NICs voluntarily to maintain their entitlement to contributory benefits. In 2023/24 the SPT was set at £6,725.

From 2022/23 individuals have only been required to pay Class 2 NICs if their annual profits exceed a second, higher threshold: the Lower Profits Threshold (LPT). In 2023/24 the LPT was set at £12,570. Those with profits between the SPT and the LPT are treated as having made Class 2 contributions to preserve their entitlement to contributory benefits. For those with profits above the LPT the rate of Class 2 NICs was £3.45 a week for 2023/24.

In Autumn Statement 2023, Chancellor Jeremy Hunt announced that, from 6 April 2024, self-employed people would no longer be required to pay Class 2

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33 HMT, Budget 2020, HC 121, (PDF) March 2020 para 2.179

34 HMT, Spring Budget 2021, HC 1226, (PDF) March 2021 para 2.115. Statutory provision for both the VUST and FUST was made by the National Insurance Contributions Act 2022.

35 HMT, Spring Budget 2023, HC 1183, (PDF) March 2023 para 3.106-8. Statutory provision was made by sections 331-2 of Finance (No.2) Act 2023, and subsequent regulations (SI 2023/812).

36 HMRC, What National Insurance is for, accessed April 2024

NICs on profits above the LPT, and that the Government would abolish Class 2 entirely. Those with profits above the LPT would continue to receive access to contributory benefits. The Government would consult on abolishing Class 2 NICs to ensure those with profits below the SPT paying Class 2 NICs voluntarily would be able to continue to do so.[37] In addition the SPT would be frozen at £6,725, and the rate of Class 2 NICs would be frozen at £3.45 a week, for 2024/25.[38]

In Spring Budget 2024 the Government confirmed it would consult later in the year on abolishing Class 2 NICs, while ensuring low-paid self-employed people would not pay more.[39]

Class 4 NICs

Class 4 NICs are charged at a main rate on profits between a Lower Profits Limit and an Upper Profits Limit, and at an additional rate on profits above the Upper Profits Limit.

These thresholds are aligned with thresholds for Class 1 NICs and for income tax. The Lower Profits Limit is aligned with the Class 1 NICs primary threshold and the income tax personal allowance.[40] The Upper Profits Limit is aligned with the Class 1 NICs Upper Earnings Limit and the income tax higher rate threshold.[41]

In Autumn Statement 2022 Chancellor Jeremy Hunt confirmed that the Class 4 Lower Profits Limit would remain aligned with the Class 1 NICs primary threshold and the personal allowance. As a result these thresholds would be frozen at £12,570 (or the weekly equivalent) for the five years (2023/24 to 2027/28). In addition the Class 4 Upper Profits Limit would remain aligned with the Class 1 NICs Upper Earnings Limit and the higher rate threshold. All three thresholds would be frozen at £50,270 (or the weekly equivalent) for the same period of time.[42] Spring Budget 2024 confirmed that both Class 4 thresholds are frozen for 2024/25.[43]

At Autumn Statement 2023, Chancellor Jeremy Hunt announced that the main rate of Class 4 NICs would be cut from 9% to 8% with effect from 6 April 2024.[44] In the Spring Budget 2024 the Chancellor announced that the rate would be cut a further two percentage points to 6% for 2024/25.[45] The rate of

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37 HMT, Autumn Statement 2023, HC 977, (PDF) November 2023 para 3.10-11. Provision to remove the requirement to pay Class 2 NICs on profits above the LPT was included in the National Insurance Contributions (Reduction in Rates) Act 2023.

38 HMT, Autumn Statement 2023, CP 977, (PDF) November 2023 para 5.51

39 HMT, Spring Budget 2024, HC 560, (PDF) March 2024 para 4.20, para 5.49

40 These thresholds have been aligned since 2022/23 (see, Commons Library research briefing CDP-2022-0069 National Insurance Contributions (Increase of Thresholds) Bill 2021-22).

41 These thresholds have been aligned since 2009/10 (see, Commons Library research briefings RP07/88 National Insurance Contributions Bill 7 of 2007-08, and RP08/07 National Insurance Contributions Bill: Committee Stage Report).

42 HMT, Autumn Statement 2022, CP 751, (PDF) November 2022 para 5.17

43 HMRC, Overview of Tax Legislation and Rates, March 2024 (Annex A)

44 HMT, Autumn Statement 2023, CP 977, (PDF) November 2023 para 4.58, para 5.13

45 HMT, Spring Budget 2024, HC 560, (PDF) March 2024 para 4.20, para 5.49

Class 4 NICs charged on profits above the Upper Profits Limit is set at 2% for 2024/25, unchanged from last year.[46]

Class 3 NICs

Further to these categories, individuals may be entitled to make voluntary Class 3 contributions to ensure that they qualify for the state pension and bereavement benefits. Class 3 NICs are charged at a weekly flat rate, set at £17.45 for 2024/25, unchanged from last year.[47]

46 HMRC, Overview of Tax Legislation and Rates, March 2024 (Annex A)
47 HMT, Autumn Statement 2023, CP 977, (PDF) November 2023 para 5.51

2 Income tax allowances

All individuals are entitled to claim a personal allowance which they can set against income tax. An additional allowance is also given to individuals who are blind.

For 2024/25, the main personal allowance is set at £12,570. People who are registered as blind can also receive an additional allowance of £3,070. In some cases, people who are married or in a civil partnership can transfer any unused portion of their personal allowance (up to £1,260) to their spouse or civil partner.

2.1 Personal allowance

Every taxpayer resident in the United Kingdom is entitled to claim a personal allowance that can be set against any type of income for tax purposes. For 2024/25 this allowance is £12,570.[48]

Since April 2010 the personal allowance has been withdrawn from individuals whose incomes exceed £100,000. The allowance is reduced by £1 for every £2 above this income limit, until completely withdrawn. This income limit is unchanged for 2024/25.

In May 2010, the Coalition Government announced that over the 2010-15 Parliament it would substantially increase the personal allowance, set at £6,475 for 2010/11, up to £10,000. The allowance was increased each year, to reach £10,000 for 2014/15.[49] In the Conservative Government's first Budget after the 2015 General Election, the then Chancellor George Osborne pledged to increase the allowance to £12,500 and the higher rate threshold to £50,000, by the end of the Parliament.[50]

In the 2018 Budget the then Chancellor Philip Hammond confirmed that the personal allowance and higher rate threshold would be set at £12,500 and £50,000 respectively for 2019/20. The then Chancellor went on to state that both would be frozen for 2020/21, and then increased in line with CPI inflation from 2021/22.[51]

48 HMRC, Overview of Tax Legislation and Rates, March 2024 (Annex A)

49 For more details see, Commons Library briefing CBP-6569 Income tax : increases in the personal allowance since 2010.

50 HMT, Summer Budget 2015, HC246, (PDF) July 2015 paras 1.130-4

51 HMT, Budget 2018, HC1629, (PDF) October 2018 para 3.7

In the Spring 2021 Budget the then Chancellor Rishi Sunak announced that the personal allowance would be frozen at £12,570 from April 2022, for the four-year period 2022/23 to 2025/26.[52] In the Autumn Statement 2022 Chancellor Jeremy Hunt announced that the freeze would be extended a further two years up to April 2028.[53]

2.2 Blind person's allowance

Any person registered as blind is entitled to the blind person's allowance. The allowance is set at £3,070 for 2024/25. It has been increased in line with inflation from 2023/24.[54] If someone has insufficient income to make use of the allowance it can be transferred to their spouse or civil partner.[55]

2.3 Transferable allowance for married couples and civil partners

Individuals whose income is insufficient to make full use of their personal allowance may transfer a fraction of the allowance to their spouse or civil partner, up to a set amount. In 2024/25, this is £1,260, unchanged from the year before.[56] This allowance was introduced in 2015/16, set at 10% of the value of the personal allowance. Individuals cannot make use of the transferable tax allowance for married couples and civil partners – or, marriage allowance, as it is known – if their spouse or partner is liable to tax above the basic rate of tax.

In effect the recipient of this allowance is entitled to a tax credit worth up to £252 to set against their tax bill.

Individuals who may wish to apply to have part of their allowance transferred in this way to their partner may register with HMRC either online or by phone. Eligible couples can backdate their claim for the allowance for up to four years.[57] In the 2017 Autumn Budget the Government announced that claims for the allowance would be allowed in cases where a partner has died before the

52 HMT, Budget 2021, HC 1226, (PDF) March 2021 para 2.74
53 HMT, Autumn Statement 2022, CP 751, (PDF) November 2022 para 5.17. For more details see, Commons Library briefing CBP9186 Spring Budget 2021: personal allowance and higher rate threshold.
54 HMT, Autumn Statement 2023, HC 977, (PDF) November 2023 para 5.48
55 HMRC, Blind Person's Allowance, accessed April 2024
56 HMRC, Overview of Tax Legislation and Rates, March 2024 (Annex A)
57 HMRC, Marriage allowance, accessed April 2024

claim was made, and that these claims would be able to be backdated by up to 4 years.[58]

2.4 Threshold increases and freezes

Currently, several thresholds and allowances for direct taxes are frozen in cash terms. For example, income tax and NICs thresholds have been set at the same level since April 2022, and are set to remain unchanged until April 2028.

For many years income tax legislation has required the main personal allowances and income tax thresholds to be increased in line with the Retail Prices Index (RPI) unless Parliament determines otherwise.

This statutory requirement – the so-called "Rooker-Wise" amendment – was introduced under section 22 of the Finance Act 1977.[59] The amendment was successfully made through the cross-party co-operation of Jeff Rooker, Audrey Wise and Nigel Lawson. All three argued that without indexation, inflation acted as an unauthorised, unintended and unknown increase in taxation. By requiring that any real changes in allowances would be voted on, the amendment ensured that changes in the income tax structure would be 'out in the open'. Indeed, for many years following, allowances went up in line with inflation or by more than inflation.[60]

In the 2011 Budget the Coalition Government announced that from April 2012 the default indexation assumption for direct taxes would be the Consumer Price Index (CPI), though RPI would be retained for some allowances and thresholds for the duration of the 2010 Parliament.[61] This approach was amended in the light of three measures: the phased withdrawal of the age-related allowances for taxpayers from April 2013; the increase in the personal allowance in 'real terms' – by more than inflation – in both 2014/15 and 2015/16; and, the increase in the higher rate threshold by 1% in the first of those years.

Any elements of the direct tax system that were indexed by reference to RPI are now indexed by reference to CPI.[62] The threshold for the additional rate (£150,000, reduced to £125,140 from 6 April 2023), and the income limit for the tapered withdrawal of the personal allowance (£100,000), were not included in these provisions.

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58 HMT, Autumn Budget 2017, HC587, (PDF) November 2017 para 3.6. See also, Commons Library research briefing CBP-870 Income tax allowances for married couples.

59 The statutory requirement to uprate allowances and thresholds, is consolidated in section 57 and section 21 of the Income Tax Act 2007, as amended.

60 HL Deb 7 January 2010 c121WA

61 HMT, Budget 2011, HC 836, (PDF) March 2011 para 1.128. see also, Office of National Statistics, Users and uses of consumer price inflation statistics, October 2016

62 HMT, Spring Budget 2024: policy costings, (PDF) March 2024 pp47-55 (see Annex A: Indexation in the public forecast baseline).

When uprating the main allowances and thresholds, the relevant inflation rate is the increase in inflation in the year to September, prior to the start of the following tax year. When allowances and thresholds are increased in line with inflation, they are rounded up to the nearest £10 or £100. For personal allowances, this income limit is £10; for the basic rate limit, it is £100.[63] CPI rose by 6.7% in the year to September 2023.[64]

In the 2021 Spring Budget the then Chancellor Rishi Sunak announced that the personal allowance and the higher rate threshold, as well as the NICs UEL/UPL, would be frozen for the four-year period 2022/23 to 2025/26.[65] At this time the Chancellor announced that a number of other tax allowances and thresholds would also be frozen over this period: the pensions lifetime allowance, the capital gains tax annual exempt amount, and the inheritance tax thresholds.[66] These allowances and thresholds are discussed below.

As noted above, in the Spring Statement in March 2022, Mr Sunak announced that the NICs primary threshold (PT) would be aligned with the personal allowance from April 2023, and remain aligned in future years.[67]

Subsequently in the 2022 Autumn Statement Chancellor Jeremy Hunt announced that the freeze to the personal allowance, the higher rate threshold, and the NICs UEL/UPL, would be extended a further two years up to April 2028.[68]

2.5 Age-related allowances (withdrawn)

Prior to 2013/14, individuals were entitled to claim one of two age-related additions to the personal allowance, if they were aged between 65 and 74 years of age, or were 75 or over. The allowance was withdrawn if an individual's income exceeded a set limit. This was done by cutting the allowance by £1 for every £2 by which an individual's income exceeded a set income limit.

In the 2012 Budget the Coalition Government announced that from April 2013 both allowances would be phased out: each allowance would be frozen in cash terms, until they became aligned with the personal allowance. In addition, only existing recipients would be entitled to claim either allowance. At this time these allowances were frozen at £10,500 (for taxpayers born after

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63 As above. See also, HMT, Tax benefit reference manual: 2009-2010 edition, [HC DEP 2009-1987] (PDF) July 2009 paras 1.16-19
64 ONS, UK Consumer Price Inflation: September 2023, October 2023
65 HC Deb 3 March 2021 c256
66 HMT, Budget 2021, HC 1226, (PDF) March 2021 p52
67 HMT, Spring Statement, CP 653, (PDF) March 2022 para 4.62
68 HMT, Autumn Statement 2022, CP 751, (PDF) November 2022 para 5.17. For more details see, Commons Library research briefings CBP-9186 Spring Budget 2021: personal allowance and higher rate threshold; and, CBP-9687 Fiscal drag: an explainer.

5 April 1938 but before 6 April 1948), and £10,660 (for taxpayers born before 6 April 1938).[69]

From 2016/17 both age-related allowances have been overtaken by the personal allowance and have been withdrawn. Taxpayers that were claiming these allowances are now eligible for the 'basic' personal allowance.

2.6 Transitional allowances for older people

Four allowances were withdrawn from April 2000:

- the married couple's allowance (MCA) for couples aged under 65
- the additional personal allowance
- the maintenance allowance for separated or divorced couples under 65
- the widow's bereavement allowance.[70]

The MCA and tax relief on maintenance payments were retained for individuals where either they, or their current or former spouse, had reached the age of 65 by the start of the tax year 2000/01; that is, they were born on or before 5 April 1935.

Married couple's allowance

Married couples, in which at least one partner reached 65 by 6 April 2000, are still entitled to claim a married couple's allowance.[71] (This is to be distinguished from the marriage allowance discussed in section 2.3.)

For 2024/25, this allowance is set at £11,080, increased in line with inflation from 2023/24.[72] Tax relief for the allowance is 'restricted' to 10%. In effect taxpayers receive a credit worth 10% of the MCA to set against their final tax bill: £1,108.

The value of the MCA is gradually reduced for taxpayers earning above an income limit, in the same way as the age-related personal allowances were (see above). For 2024/25 this income limit is set at £37,000. The withdrawal of the MCA from older couples is subject to a minimum allowance set at £4,280 for 2024/25, restricted to 10%. No couple entitled to the allowance will receive less than this.

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69 For details see, Commons Library briefing CBP-6158 Age-related personal allowance.

70 This measure was announced in the March 1999 Budget. For details see, Commons Library briefing RP00/38, Direct taxes: rates & allowances 2000/01, 29 March 2000 pp11-12.

71 When a person born on or before 5 April 1935 newly gets married, that person or their spouse is entitled to claim this allowance.

72 HMT, Autumn Statement 2023, HC 977, (PDF) November 2023 para 5.48

Where a couple marry during the tax year the allowance is reduced by one twelfth for each complete tax month pre-marriage. In the first instance the MCA is given to the husband, though if couples elect to do so, the minimum MCA can be transferred to the wife or split equally between spouses.

In previous years, in line with the personal allowance, an age-related MCA was given to couples aged between 65 and 74, and a second, higher MCA to those 75 or over. Given that anyone who reached 65 by 6 April 2000 will be 90 or over this tax year, it is only the second of these allowances that remains applicable.

Civil partners may also claim the MCA provided – as with married couples – at least one partner was born before 6 April 1935.[73]

Tax relief for child maintenance payments

Generally, payments for child maintenance are made outside the tax system: those who make payments cannot claim them against tax, and those who receive them are not taxed on them.

Separated or divorced individuals who pay maintenance direct to their ex-spouse under a legally binding agreement may qualify for a limited form of tax relief – often referred to as a 'maintenance allowance' – provided that one or more of the parties reached 65 prior to 6 April 2000. This relief is set equal to the 'minimum' MCA that couples can receive if they are now 90 or over (which is £4,280 restricted to 10% for 2024/25).

Individuals who make maintenance payments to a child, or to someone to whom they have not been married, do not qualify for this relief. Tax relief is withdrawn if the ex-spouse who receives maintenance remarries.[74]

73 HMRC, Married Couple's Allowance, accessed April 2024. In March 2005 the then Labour Government announced that civil partners would be treated the same as married couples for tax purposes, when the Civil Partnership Act 2004 came into force on 5 December 2005.

74 See also, LITRG, Tax relief for maintenance payments, updated 6 April 2023

3 Income tax: Other allowances and reliefs

3.1 Company cars and free fuel

Generally individuals are taxed on the cash value of any 'fringe benefit' they enjoy by virtue of their employment. The cash value is added to their taxable income, and taxed accordingly; that is, taxed at the same rate as the rest of their income (20%, 40% or 45% depending on their circumstances).[75]

Special rules apply in evaluating the cash value of a company car. This is calculated as a percentage of the car's price – the 'appropriate percentage' – set by reference to the car's CO_2 emissions level, which is expressed in grams per kilometre (g/km).[76]

In the 2017 Autumn Budget the Government announced that from April 2020 the emissions test used to underpin company car tax, as well and vehicle excise duty (VED), would be the new Worldwide Harmonised Light Vehicles Test Procedure (WLTP).[77]

The new test is more rigorous, and initial evidence provided by manufacturers suggested that using the WLTP would mean that the reported emissions of over 50% of cars could rise by 10% to 20%. To smooth the transition, in July 2019 it was announced most company car tax rates would be cut by 2 percentage points in 2020/21 for cars first registered from 6 April 2020.[78] Rates would return to planned levels over the next two years, increasing by 1 percentage point in 2021/22 and 1 percentage point in 2022/23. After this point rates would be frozen until 2024/25. Spring Budget 2024 confirmed that rates would be frozen for 2024/25.[79]

The taxable benefit of free fuel provided for private motoring in a company car is also calculated by reference related to the level of CO_2 emissions. To calculate the monetary value of this benefit, the 'appropriate percentage' is

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75 For more details see, HMRC, Tax on company benefits, accessed April 2024

76 HMRC, Expenses & benefits: a tax guide, Notice 480, November 2022 (see Appendix 2)

77 HMT/HMRC, Overview of tax legislation and rates, (PDF) November 2017 para 1.17

78 HMT, Review of WLTP and vehicle taxes: summary of responses, July 2019. See also, HMT, Budget 2020, HC 121, (PDF) March 2020 para 2.227

79 HMRC, Overview of Tax Legislation and Rates, December 2023 (Annex A); HMRC, Overview of Tax Legislation and Rates, March 2024 (Annex A)

multiplied against a set figure for the year; for 2024/25 this is set at £27,800, unchanged on the year before.[80]

3.2 Pensions: Annual and lifetime allowances

How are private pensions taxed in the UK?

In the UK, private pension saving is taxed on an "exempt, exempt, taxed" (EET) model. This means:

- When people and their employers pay into a pension, the contributions are exempt from taxation. Both the saver and any contributing employer receive tax relief, up to set limits.
- If the pension savings grow through investments, this is exempt from taxation.
- When the savings are withdrawn as pension payments, these are taxed like other income. People are allowed access up to 25% of their pension savings as a tax-free lump sum.[81]

What are the limits to pension tax relief?

There are limits on the amount of pensions tax relief someone can receive.

Limits to tax-free contributions

A person cannot usually receive tax relief on pension contributions worth more than 100% of their annual earnings.[82] However, people can still contribute £3,600 a year into a pension with tax relief even if they earn less than this.[83]

There is also an annual allowance which limits the amount someone can pay into pension schemes each year before they must pay tax. It is £60,000 in 2024/25.[84]

The annual allowance is tapered (reduced) for higher earners. It is reduced by £1 for every £2 someone earns over £260,000 (including pension contributions). Tapering stops when the annual allowance reaches £10,000.[85]

80 HMT, Autumn Statement 2023, HC 977, (PDF) November 2023 para 5.79. For details for 2023/24 see, HMRC, Income Tax: van benefit charge and fuel benefit charges for cars and vans from 6 April 2023, 8 December 2022. This multiplier is set by Order: SI 2022/1288.

81 HMRC, Pensions Tax Manual para PTM024100 – General principles: overview of pensions taxation: the basics, accessed April 2024

82 Under section 190 of Finance Act 2004

83 Under section 190 of Finance Act 2004

84 Under section 228 of Finance Act 2004, as amended by Finance (No.2) Act 2023

85 Under section 228ZA of Finance Act 2004 as amended by Finance (No.2) Act 2023

In defined contribution pension schemes people build up a pot of money that can be used for retirement. In certain circumstances if someone withdraws money from a defined contribution scheme then the amount that they can contribute to these schemes in future – and still receive tax relief - is permanently reduced. The lower allowance, known as the money purchase annual allowance, is set at £10,000 a year.[86]

Lifetime allowance

There was a limit on the amount people can build up in pension schemes over their lifetime and still receive tax relief.

At the Spring Budget 2023, the government announced that it would abolish the lifetime allowance.[87] It started this process by removing the tax charge for exceeding the lifetime allowance from 6 April 2023 and abolished the lifetime allowance fully in the Finance Act 2024 from 6 April 2024.[88]

Further information

Further information is available in the Commons Library briefing Pension tax relief: The annual allowance and lifetime allowance.

3.3 Charities

There is no general tax exemption or relief granted to taxpayers who make gifts to charities. Tax relief is provided through two schemes which cover regular donations made out of one's salary (Payroll Giving) and one-off gifts (Gift Aid).

Payroll Giving

Under the Payroll Giving scheme charitable donations are wholly deductible for income tax purposes, the relief being given through the PAYE system. The employer deducts the appropriate sum from a participating employee's pay, and passes it to an agency which distributes it to the charity or charities of the employee's choice. There are no minimum or maximum limits for donations under the scheme.[89]

Gift Aid

Gift Aid allows income tax relief for single donations by individuals. When this relief was introduced in 1990, a minimum limit on donations was set at £600.

86 Under section 227ZA of Finance Act 2004, as amended by Finance (No. 2) Act 2023
87 HMT, Spring Budget 2023, HC 1183 (PDF) March 2023 para 4.153
88 Under schedule 9 of Finance Act 2024
89 A maximum limit of £1,200 a year applied prior to 6 April 2000. For more details see, HMRC, Payroll Giving, accessed April 2024.

Subsequently this limit was cut to £250 before being abolished entirely from 6 April 2000. As a consequence, tax relief applies to a donation of any size.[90] Under the scheme charities claim repayment of basic rate tax on donations. Higher rate taxpayers claim higher rate tax relief on their gifts.

Gift Aid Small Donations Scheme

Under the Gift Aid Small Donations Scheme (GASDS), charities can claim 25% on cash or contactless card donations worth £30 or less. This scheme was launched in April 2013 to allow charities to claim Gift Aid on small donations without a Gift Aid declaration. Originally, donations could only be in cash and had to be worth no more than £20.

Charities may claim a top-up payment, equivalent to Gift Aid relief, on an annual maximum of donations. Initially this limit was set at £5,000 per year, but it was increased to £8,000 from April 2016.[91]

From April 2017 eligible donations may be made by contactless payment as well as in cash, one of a number of changes to simplify and increase access to the GASDS.[92] The cash limit on donations was increased to £30 from April 2019.[93]

90 For more details see, HMRC, Tax relief when you donate to a charity, accessed April 2024.

91 This change was made by Order: SI 2015/2027.

92 For more background see, Commons Library briefing CBP-6330, Gift Aid Small Donations Scheme.

93 This change was also made by Order: SI 2019/237. For more details see, HMRC, Claim top-up payments for the Gift Aid Small Donations Scheme, updated 17 February 2020

4 Other direct taxes

4.1 Capital gains tax

Capital gains tax (CGT) is charged on gains in excess of the annual exempt amount, which is set at £3,000 for 2024/25.[94] In the 2022 Autumn Statement the Government announced the annual exempt amount would be cut from £12,300 to £6,000 from April 2023, and to £3,000 from April 2024.[95]

Individuals may realise gains up to this threshold free of tax. The tax is charged at a rate of 10%, and at 20% on gains realised by individuals paying income tax at the higher or additional rates.[96] These rates are unchanged for 2024/25.

Gains that are from residential property not eligible for Private Residence Relief, or from carried interest, are liable to tax at higher rates. In previous years these rates have been 18% (basic rate taxpayer), and 28% (higher or additional rate taxpayer). In Spring Budget 2024 Chancellor Jeremy Hunt announced that this higher rate on residential property gains would be cut from 28% to 24% from 6 April 2024. The lower rate for gains from residential property not eligible for Private Residence Relief remains 18% for 2024/25.[97] The rates for gains from carried interest remain 18% and 28% for 2024/25.

The structure of CGT rates was reformed by the Coalition Government in its first Budget in June 2010. Prior to this, gains had been subject to a single rate set at 18%, introduced as part of a series of reforms to CGT by the Labour Government in its 2008 Budget.[98] The Coalition Government introduced a 28% rate for higher rate and additional rate taxpayers, with effect from Budget day (22 June 2010). In the 2016 Budget the then Chancellor George Osborne announced that both rates of CGT would be cut, from 18% and 28%, to 10% and 20% respectively, from 6 April 2016. The rates of tax were left unchanged for gains from residential property not eligible for Private Residence Relief, and gains from carried interest.[99]

94 HMRC, Overview of Tax Legislation and Rates, March 2024 (Annex A)

95 HMT, Autumn Statement 2022, CP 751, (PDF) November 2022 para 5.21; HMRC, Capital Gains Tax: Annual Exempt Amount, 21 November 2022

96 For details see, HMRC, Capital Gains Tax: what you pay it on, rates and allowances, accessed April 2024.

97 HMT, Spring Budget 2024, HC 560, (PDF) March 2024 para 5.66. For details see, HMRC, Capital Gains Tax rate on disposals of residential property from 6 April 2024, 6 March 2024

98 Prior to this capital gains were treated in the same way as the top slice of income, and the tax was charged at the same rates of tax as savings income.

99 HMT, Budget 2016, HC 901, (PDF) March 2016 para 1.171, para 2.187

Gains qualifying for entrepreneur's relief are charged a rate of 10%. A £10m lifetime limit has applied to capital gains qualifying for this relief since April 2011. In the 2020 Budget the then Chancellor Rishi Sunak announced that the lifetime limit would be cut to £1m, renaming the relief 'business asset disposal relief'.[100] A 10% rate also applies to gains made by long term investors in unlisted companies, subject to a lifetime limit of £10m of gains.

4.2 Inheritance tax

Inheritance tax is levied on the value of a person's estate at the time of their death. Most large gifts made out of someone's estate within seven years of their death are treated as part of their estate for tax purposes. The tax is charged at 40% above the nil-rate band, set at £325,000 for 2024/25.[101]

Gifts made to one's spouse or civil partner are exempt from tax irrespective of their size, and irrespective of whether they are made during one's life, or made under the terms of one's will. In addition, widows, widowers and civil partners are entitled to use the share, if any, of their partner's nil-rate band which was unused when they died, to set against tax on their own estate. This transferable allowance is available to all survivors of a marriage or civil partnership who die on or after 9 October 2007 – whenever their first partner died.

In the 2015 Summer Budget the then Chancellor George Osborne announced that from April 2017 an additional nil-rate band would apply on death to transfers of a main residence to a direct descendant. In this context a direct descendant is "a child (including a step-child, adopted child or foster child) of the deceased and their lineal descendants."[102]

The additional, or residence, nil-rate band was set initially at £100,000 and is set at £175,000 for 2024/25.

In his 2015 Summer Budget Mr Osborne had also announced that the existing nil-rate band would be frozen at £325,000 at least until 2020/21, while the residence nil-rate band would rise by £25,000 each year, to reach £175,000 by 2020/21.[103]

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100 HMT, Budget 2020, HC 121, (PDF) March 2020 para 2.199; HMRC, CGT Entrepreneurs' Relief - reduction in the lifetime limit, 11 March 2020

101 HMRC, Overview of Tax Legislation and Rates, March 2024 (Annex A). For further details see, Commons Library research briefing CBP-93 Inheritance tax: Current policy and debates.

102 HMT, Summer Budget 2015, HC264, (PDF) July 2015 paras 1.217-221; para 2.89. HMRC, Inheritance tax: main residence nil-rate band and the existing nil-rate band, June 2017

103 In 2013 the Coalition Government had proposed that the threshold should be frozen until April 2018 (HMT, Budget 2013, HC1033, (PDF) March 2013 para 2.76).

Both of these inheritance tax thresholds are among the tax allowances and thresholds to be frozen over the six-year period 2022/23 to 2027/28.[104]

The residence nil-rate band is subject to a taper. For any estate with a net value of more than £2m, the band will be withdrawn by £1 for every £2 the estate exceeds this threshold. If someone downsizes or ceases to own a home before they die, the additional band may still be claimed on assets of an equivalent value, if passed on death to direct descendants. This is to apply if someone downsizes or ceases to own a home on or after 8 July 2015. As with the existing nil-rate band, any unused fraction of the main residence nil-rate band may be transferred to a surviving spouse or civil partner.[105]

104 HMT, Autumn Statement 2022, CP 751, (PDF) November 2022 para 5.19; HMRC, Inheritance Tax nil-rate band and residence nil-rate band thresholds from 6 April 2026 to 5 April 2028, 21 November 2022

105 HMRC, Inheritance tax: main residence nil-rate band and the existing nil-rate band, June 2017

5 Main personal income tax rates and allowances since 1990/91

Table 1

Main income tax rates and allowances: 1990/91-2024/25

	Allowances/Limits (£ per annum)			Rates			
	Personal allowance	Lower/ Starting Rate Limit	Basic Rate Limit	Lower/ Starting	Basic	Higher	Additional
1990/91	3,005	n/a	20,700	n/a	25%	40%	n/a
1991/92	3,295	n/a	23,700	n/a	25%	40%	n/a
1992/93	3,445	2,000	23,700	20%	25%	40%	n/a
1993/94	3,445	2,500	23,700	20%	25%	40%	n/a
1994/95	3,445	3,000	23,700	20%	25%	40%	n/a
1995/96	3,525	3,200	24,300	20%	25%	40%	n/a
1996/97	3,765	3,900	25,500	20%	24%	40%	n/a
1997/98	4,045	4,100	26,100	20%	23%	40%	n/a
1998/99	4,195	4,300	27,100	20%	23%	40%	n/a
1999/00	4,335	1,500	28,000	10%	23%	40%	n/a
2000/01	4,385	1,520	28,400	10%	22%	40%	n/a
2001/02	4,535	1,880	29,400	10%	22%	40%	n/a
2002/03	4,615	1,920	29,900	10%	22%	40%	n/a
2003/04	4,615	1,960	30,500	10%	22%	40%	n/a
2004/05	4,745	2,020	31,400	10%	22%	40%	n/a
2005/06	4,895	2,090	32,400	10%	22%	40%	n/a
2006/07	5,035	2,150	33,300	10%	22%	40%	n/a
2007/08	5,225	2,230	34,600	10%	22%	40%	n/a
2008/09	6,035	n/a	34,800	n/a	20%	40%	n/a
2009/10	6,475	n/a	37,400	n/a	20%	40%	n/a
2010/11	6,475	n/a	37,400	n/a	20%	40%	50%
2011/12	7,475	n/a	35,000	n/a	20%	40%	50%
2012/13	8,105	n/a	34,370	n/a	20%	40%	50%
2013/14	9,440	n/a	32,010	n/a	20%	40%	45%
2014/15	10,000	n/a	31,865	n/a	20%	40%	45%
2015/16	10,600	n/a	31,785	n/a	20%	40%	45%
2016/17	11,000	n/a	32,000	n/a	20%	40%	45%
2017/18	11,500	n/a	33,500	n/a	20%	40%	45%
2018/19	11,850	n/a	34,500	n/a	20%	40%	45%
2019/20	12,500	n/a	37,500	n/a	20%	40%	45%
2020/21	12,500	n/a	37,500	n/a	20%	40%	45%
2021/22	12,570	n/a	37,700	n/a	20%	40%	45%
2022/23	12,570	n/a	37,700	n/a	20%	40%	45%
2023/24	12,570	n/a	37,700	n/a	20%	40%	45%
2024/25	12,570	n/a	37,700	n/a	20%	40%	45%

Notes (a) From 2008/09, a 10 per cent starting rate of income tax is retained for savings income. See text for further details.

Sources: HM Treasury, Budgets 2010 - 2020
Tax Benefit Reference Manual 2009-10,
HMRC. Spring Budget 2024: overview of tax legislation and rates (OOTLAR)

Table 2

Age-related allowances: 1990/91 to 2024/25

£ per annum

	Personal (a)		Married couple's (b)	
	65-74	75+	65-74	75+
1990/91	3,670	3,820	2,145	2,185
1991/92	4,020	4,180	2,355	2,395
1992/93	4,200	4,370	2,465	2,505
1993/94	4,200	4,370	2,465	2,505
1994/95	4,200	4,370	2,665	2,705
1995/96	4,630	4,800	2,995	3,035
1996/97	4,910	5,090	3,115	3,155
1997/98	5,220	5,400	3,185	3,225
1998/99	5,410	5,600	3,305	3,345
1999/00	5,720	5,980	5,125	5,195
2000/01	5,790	6,050	5,185	5,255
2001/02	5,990	6,260	5,365	5,435
2002/03	6,100	6,370	5,465	5,535
2003/04	6,610	6,720	5,565	5,635
2004/05	6,830	6,950	5,725	5,795
2005/06	7,090	7,220	5,905	5,975
2006/07	7,280	7,420	6,065	6,135
2007/08	7,550	7,690	6,285	6,365
2008/09	9,030	9,180	6,535	6,625
2009/10	9,490	9,640	..	6,965
2010/11	9,490	9,640	..	6,965
2011/12	9,940	10,090	..	7,295
2012/13	10,500	10,660	..	7,705
2013/14	10,500	10,660	..	7,915
2014/15	10,500	10,660	..	8,165
2015/16	10,600	10,660	..	8,355
2016/17*	11,000	11,000	..	8,355
2017/18	11,500	11,500	..	8,445
2018/19	11,850	11,850	..	8,695
2019/20	12,500	12,500	..	8,915
2020/21	12,500	12,500	..	9,075
2021/22	12,570	12,570	..	9,125
2022/23	12,570	12,570	..	9,415
2023/24	12,570	12,570	..	10,375
2024/25	12,570	12,570	..	11,080

Notes: (a) from 2013/14 eligibility for the age-related allowances will be restricted to existing recipients

(b) Relief restricted to 20 per cent in 1994/95, 15 per cent from 1995/96 to 1998/99, and to 10 per cent from 1999/00.
Since 2000/01 the MCA has only been given to couples in which at least one partner was born before 6 April 1935.
* from 2016/17 age-related allowances have been merged with the personal allowance.

Sources: HM Treasury, Budgets 2010 - 2020
Tax Benefit Reference Manual 2009-10,
HMRC. Spring Budget 2024: overview of tax legislation and rates (OOTLAR)