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# Direct taxes: rates and allowances 2012/13

**RESEARCH PAPER 12/15** 2 April 2012

This paper sets out the main changes to direct tax rates and allowances announced in the Budget on 21 March 2012. It lists the principal personal allowances which will be available against income tax in the tax year 2012/13, and it outlines the conditions necessary for eligibility for these allowances.

The paper provides a summary of the general tax position in straightforward cases only. It should be noted that it deals just with tax allowances. No reference is made to cash benefits provided under the social security system, or to child tax credit and working tax credit.

Antony Seely

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## Summary

**Income tax** on earned income is charged at three rates: the basic rate, the higher rate and the additional rate. For 2012/13 all three rates are unchanged: at 20%, 40% and 50% respectively. Tax is charged at the basic rate up to the basic rate limit, set at £34,370 of taxable income. Tax is charged at the higher rate on taxable income between this and the higher rate limit set at £150,000. The additional rate is charged on taxable income over £150,000.

The **personal allowance** is increased by £630 to £8,105 for 2012/13, by £210 in real terms. The basic rate limit is cut by £630 so that the point at which individuals become liable to pay tax at the higher rate will remain the same. This ensures that higher rate taxpayers do not benefit from the increase in the personal allowance.

The two **age-related personal allowances** for older people are set at £10,500 – for people aged 65-74 years – and £10,660 for people aged 75 years and over. The income limit for the age-related allowances is set at £25,400. Both age-related allowances and the income limit are increased in line with inflation.

Married couples used to be entitled to claim an additional allowance, but this was withdrawn from April 2000 for all couples under 65 at that time. Older taxpayers may still be entitled to the **married couple's allowance**, if one or both partners were born on or before 5 April 1935. For 2012/13 this allowance is increased in line with inflation to £7,705, restricted to 10 per cent.

In the 2012 Budget the Government announced a number of **changes** to tax rates and allowances **to apply from 2013/14**: these include, a cut in the additional rate of tax from 50% to 45%; an increase in the personal allowance to £9,205; a freeze in the level of the two age-related allowances and the restriction of both these allowances to taxpayers who are already in receipt of them. A short appendix to this paper gives details.

The rates of **National Insurance contributions** (NICs) for both employees and employers are unchanged for 2012/13. For employees, the rate of NICs is set at 12% on all earnings between the primary threshold and the upper earnings limit, and at 2% on earnings above the upper earnings limit. For employers, the rate of NICs is set at 13.8% on earnings above the secondary threshold. Both the primary and secondary thresholds are increased in line with inflation: these thresholds are set at £146 and £144 respectively. The upper earnings limit is frozen at £817 for 2012/13, so that it remains aligned with the point at which individuals start to pay tax at the higher rate (the total of the personal allowance and the basic rate limit).

This paper deals only with tax allowances and 'wasteable' tax credits: those which are limited to the amount of the tax liability and therefore cannot give rise to a payment by the authorities to the taxpayer. Details of 'non-wasteable' tax credits – such as the child tax credit and the working tax credit – along with other tax rates and allowances for the 2012/13 year are set out in Annex B to HM Treasury, *Overview of Tax Legislation and Rates*, 21 March 2012, which was published alongside the 2012 Budget report.

# 1 Rates and thresholds

## 1.1 Income tax

### *Earned income*

For 2012/13 income tax on earned income is charged at three rates: these are the basic rate of 20%, the higher rate of 40% and the additional rate of 50%.

The 20% basic rate applies to taxable income up to £34,370. Taxable income excludes personal allowances, which represent the amount of money someone may receive free of tax. Taxable income in excess of this threshold is charged at the higher rate of 40%, up to £150,000. Income earned above this threshold is charged tax at 50%.

| 2011/12 | | 2012/13 | |
|---|---|---|---|
| **Taxable income** | **Tax rate** | **Taxable income** | **Tax rate** |
| **£0 - £35,000** | **20%** | **£0 - £34,371** | **20%** |
| **£35,001 - £150,000** | **40%** | **£34,371 - £150,000** | **40%** |
| **Over £150,000** | **50%** | **Over £150,000** | **50%** |

This rate structure covers all non-savings income: earnings, pensions, taxable social security benefits, trading profits and income from property. A 10% starting rate of tax used to apply, but was withdrawn in April 2008. When this was done, the 10% starting rate was *retained* for savings income: that is, bank and building society interest. This remains in place.

### *Savings and dividend income*

For 2012/13 savings income is charged at 10% for income up to £2,710. Above this limit savings income is charged tax at the basic rate of 20%, up to the basic rate limit of £34,370. Savings income above this limit is charged at the 40% higher rate, up to the higher rate limit of £150,000. Savings income above this limit is charged at the 50% additional rate.

Generally, savings income is taxed at source at 20%. Individuals with too little income to pay tax, or those paying only the starting rate, can claim a repayment of tax from HM Revenue & Customs. Alternatively individuals may apply to have their savings income paid gross of tax.[1]

For 2012/13 the rates of tax on dividend income are: 10% for income below the basic rate limit, 32.5% for income between this limit and the higher rate limit, and 42.5% on income above the higher rate limit. All of these rates are unchanged for 2012/13.

In calculating tax liability, dividend and savings income are regarded as the ‘top slice’ of income, with dividends the highest. As a consequence, if an individual’s non-savings income exceeds the starting rate limit for savings, then the 10% starting rate will not be available for their savings income.

[1] HM Revenue & Customs provide an online calculator to help individuals assess if they should do this - http://www.hmrc.gov.uk/calcs/r85/index.htm - and a helpline providing advice on this issue (0845 980 0645).

### 1.2 National Insurance contributions

Employees pay National Insurance contributions (NICs) on their earnings if they exceed the lower earnings limit (LEL), which is set at £107 per week for 2012/13. A zero rate of NICs is charged on earnings between the LEL and the primary threshold (PT), which is set at £146 per week. A notional primary Class 1 NIC is deemed to have been paid in respect of earnings between LEL and PT to protect benefit entitlement. Earnings above the PT are charged NICs at a rate of 12%, subject to a cap at the upper earnings limit (UEL), which is set at £817 per week. Earnings *above* the UEL are charged NICs at a rate of 2%.

Employees contracted out of the state second pension (S2P) pay a reduced rate of NICs.[2] Employers pay NICs on employee earnings at a rate of 13.8% on earnings above the secondary threshold (ST), set at £144 a week for 2012/13.

The rates of NICs are unchanged for 2012/13. The LEL, the PT and ST are all increased in line with inflation, while the UEL has been frozen.[3]

The rates of NICs for employees and employers for 2012/13 are set out below:[4]

| **Earnings[a] £ per week** | **Employee (primary) NIC rate (per cent)[b]** | **Earnings £ per week** | **Employer (secondary) NIC rate (per cent)[c]** |
|---|---|---|---|
| Below £107 (LEL) | 0% | Below £107 (LEL) | 0% |
| £107 to £146 (PT) | 0% | £107 to £144 (ST) | 0% |
| £146 to £817 (UEL) | 12% | Above £144 | 13.8% |
| Above £817 | 2% | | |

[a] *The limits are defined as LEL - lower earnings limit; PT - primary threshold; ST - secondary threshold; and UEL - upper earnings limit.*
[b] *The contracted-out rebate for primary contributions in 2012/13 is 1.4 per cent of earnings between the LEL and the upper accrual point (UAP) of £770 for contracted-out salary-related schemes (COSRS).*
[c] *The contracted-out rebate for secondary contributions is 3.4 per cent of earnings between the LEL and UAP for COSRS.*

## 2 Income tax allowances

All individuals irrespective of sex or marital status receive a personal allowance which they can set against income tax. Two age-related additions are made to the allowance: the first, if someone is 65 or over, the second if they are 75 or over. Those born before 6 April 1935 may be eligible for two other allowances: the married couple's allowance and tax relief on maintenance payments. An allowance is also given to individuals who are blind.

2 This rebate applies for individuals paying into a salary-related scheme only. A similar rebate for money-purchase schemes is abolished from 6 April 2012. For details see, *Contracting out of the State Second Pension*, Library standard note SN04822, 23 March 2011.

3 The basis for indexation is the Consumer Price Index (CPI) for the LEL and the PT, and the Retail Price Index (RPI) for the ST. The UEL was frozen so that it remains aligned with the point at which the 40% higher rate becomes payable. The uprating of these thresholds was done by Order (SI 2012/804).

4 For more details on the way National Insurance works see, *National Insurance contributions : an introduction*, Library standard note SN04517, 6 February 2012

## 2.1 Indexation

For many years income tax legislation has required the main allowances and 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*.[5] 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 ensuring that any real changes in allowances would have to be voted on, the amendment ensured changes in the income tax structure would be 'out in the open'. Indeed, for most years since then, allowances have either gone up in line with inflation, or by more than inflation.[6]

In the 2011 Budget the 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 this Parliament: specifically, the employer NICs threshold, the age-related allowance and other thresholds for older people.[7]

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 tax year.[8] 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 age allowances and the higher rate threshold the limit is £100. For the year to September 2011 the rates of RPI and CPI were 5.6% and 5.2% respectively.[9]

## 2.2 Personal allowance

Every taxpayer resident in the United Kingdom is entitled to a personal allowance that can be set against any type of income for tax purposes. Two additional levels of the allowance are provided for older people. The allowance is not transferable between spouses.

For 2012/13 these three allowances are:

| | |
|---|---|
| **Under 65** | **£8,105** |
| **65 – 74** | **£10,500** |
| **75 and over** | **£10,660** |

The 'basic' personal allowance is increased by £630 for 2012/13 – equivalent to an increase of £210 in real terms – whereas the two age-related allowances are increased in line with inflation.

5 The statutory requirement to uprate allowances and thresholds, is consolidated in sections 57 & 21 of the *Income Tax Act 2007*.

6 HL Deb 7 January 2010 c121WA

7 *Budget 2011* HC 836, March 2011 para 1.128. This was confirmed at the time of the 2012 Budget (HM Treasury, *Budget 2012 policy costings*, March 2012 p61 (Annex A: Indexation in the public forecast baseline)

8 for details see, HM Treasury, *Tax Benefit Reference Manual* 2009/10 edition paras 1.16-19. House of Commons Deposited paper 2009-1987

9 Office of National Statistics, *Consumer Price Indices September 2011*, 18 October 2011

The additions made for older taxpayers to the basic personal allowance are reduced for taxpayers whose incomes exceed a given limit: the extra allowance is withdrawn by £1 for every £2 by which income exceeds this limit (this is explained in more detail below).

Since April 2010 the basic personal allowance has been withdrawn in a similar fashion from individuals whose incomes exceed £100,000: that, is, the allowance is reduced by £1 for every £2 above this income limit, until completely withdrawn. This income limit is unchanged for 2012/13.

## 2.3 Income limit for age-related allowances

Taxpayers claiming an age-related allowance whose income exceeds £25,400 for 2012/13 will have their allowance reduced by £1 for every £2 that their income exceeds this limit. This progressive reduction continues until the allowance is equal in value to the basic personal allowance, or, in the case of those taxpayers still entitled to the married couple's allowance (MCA), a 'minimum' allowance. (As noted above, taxpayers whose incomes exceed £100,000 have the basic personal allowance reduced in the same way.)

The income limit is increased in line with inflation for 2012/13.

For individual taxpayers qualifying for an age-related personal allowance, the benefit of the additional allowance will not be completely withdrawn until their total income reaches the following limits:

| | |
|---|---|
| **65 – 74** | **£30,190** |
| **75 and over** | **£30,510** |

## 2.4 Blind person's allowance

Any person registered as blind is entitled to the blind person's allowance. The allowance is increased in line with inflation for 2012/13, and is set at £2,100. The allowance is not restricted in value. If someone has insufficient income to make use of the allowance it can be transferred to a spouse.

## 2.5 Two transitional allowances for the elderly

Four allowances were withdrawn from April 2000: the married couple's allowance (MCA) for couples aged under 65 at that time; the additional personal allowance; the maintenance allowance for separated or divorced couples under 65; and the widow's bereavement allowance.[10] 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; ie, they were born on or before 5 April 1935.

10 The abolition of these allowances was announced in the March 1999 Budget; for further details see *Direct taxes: rates & allowances 2000/01*, Library Research paper 00/38, 29 March 2000 pp 11-12.

***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**.[11] For 2012/13, this age-related allowance is £7,705, increased in line with inflation. Tax relief for the allowances is 'restricted' to 10%. In effect taxpayers receive a credit worth 10% of the MCA to set against their final tax bill: ie, £771.

The value of the MCA is gradually reduced for taxpayers earning above the income limit, in the same way as the age-related personal allowances. The withdrawal of the MCA from elderly couples is subject to a minimum allowance set at £2,960 for 2012/13, restricted to 10%.[12] No couple entitled to the allowance will receive less than this. 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, 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 between 65 and 74, and a second, higher MCA to those 75 or over. Given that anyone born before 6 April 1935 will be 78 or over this tax year, it is only the second of these allowances that remains applicable.

On 5 December 2005 the *Civil Partnership Act 2004* came into force, creating a new legal status for same-sex couples wishing to have their relationships recognised in law. In March 2005 the Labour Government announced that civil partners would be treated the same as married couples for tax purposes. As a consequence, civil partners may claim the MCA, *provided* – as with married couples – one or more partner was born before 6 April 1935.[13]

***Tax relief for maintenance payments***

Generally maintenance payments 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 77 or over (which is £2,960 restricted to 10 per cent for 2012/13). 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.

[11] When a person born on or before 5 April 1935 newly gets married, that person or their spouse is entitled to claim the MCA.

[12] The minimum amount of the MCA is also increased in line with inflation for 2012/13.

[13] More guidance is given on HMRC's site: *Married Couple's Allowance - includes civil partnerships*

## 3 Fringe benefits: company cars & free fuel

Generally individuals are taxed on the cash value of any fringe benefit they enjoy by virtue of their employment.[14]

Special rules apply in evaluating the cash value of a company car: in brief, a charge equal to 15% of the car's price applies to cars emitting $CO_2$ at a specified qualifying level – set at 120g/km for 2012/13. The percentage charge builds up in 1% steps for every additional full 5g/km over that level up to a maximum charge of 35% of the car's price.[15] Lower rates apply for cars with emissions below 120g/km. For cars with zero $CO_2$ emissions, a 0% rate applies. For cars with emissions below 75g/km, a 5% rate applies. For cars with emissions of between 76g/km and 99g/km a 10% rate applies. From 100g/km the rate is 11 per cent and rises by 1 per cent for every 5g/km to the current maximum of 35 per cent (emissions of 220g/km).[16]

The taxable benefit of free fuel provided for private motoring in a company car is also related to the level of $CO_2$ emissions. The same percentage charge is used as for company cars – starting at 15% and rising to 35%. To calculate the benefit charge the percentage figure is multiplied against a set figure for the year; for 2012/13 this is £20,200.

## 4 Pensions

In the 2004 Budget the Labour Government announced a simplification in the tax treatment of pensions to come into effect from 6 April 2006 ('A-day'). This reform in the tax rules set two limits for an individual's tax-privileged pension saving: an annual allowance for the amount of contributions that may be made over a year, and a lifetime allowance setting an overall ceiling on the amount of tax-privileged pension savings that someone may accrue. Prior to this, an annual limit – the pension scheme earnings cap – was set on the maximum earnings from which contributions to a personal, occupational or stakeholder pension scheme could attract tax relief.[17]

In the 2010 Budget the Labour Government proposed that tax relief on pension contributions would be restricted for those with incomes of £150,000 and over from April 2011. Concerns about the complexity of these plans lead to an announcement in October 2010 by the Coalition Government that as an alternative way of raising an equivalent sum of money, both the annual and the lifetime allowance would be cut. From April 2011 the annual allowance was cut from £255,000 to £50,000. The lifetime allowance was frozen at £1.8 million, but is cut to £1.5 million from April 2012.[18]

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[14] The cash value is added to their taxable income, and taxed accordingly; ie, taxed at the same rate as the rest of their income (20%, 40% or 50% depending on their circumstances). Benefits in kind are taxed if the person receiving them is a director, or an employee who earns £8,500 or more per year.

[15] Guidance on these rules, and changes set to apply up to 2014/15, is given on HMRC's site at: http://www.hmrc.gov.uk/cars/index.htm & http://www.hmrc.gov.uk/cars/rule-changes.htm

[16] Budget 2012 set out further changes to these rates from 2015/16: HMRC, *Company car tax rates (TIIN2108)*, 21 March 2012.

[17] For details see, *Tax and private pensions*, Library standard note SN00625, 14 February 2012. Guidance is collated on the department's site at: http://www.hmrc.gov.uk/pensionschemes/

[18] *Budget 2011* HC 836 March 2011 para 2.51. For more details see, *Restricting pension tax relief*, Library standard note SN05901, 15 February 2012.

## 5 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 cash gifts (Gift Aid).

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.[19]

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. Tax relief applies to a donation of any size, following the abolition of the minimum limit – then £250 – from 6 April 2000.[20] Under the scheme charities claim repayment of basic rate tax on donations. Higher rate taxpayers claim higher rate tax relief on their gifts.

In the 2011 Budget the Government announced that from April 2013 a new scheme would be introduced to allow charities to claim Gift Aid on small donations without a Gift Aid declaration, and to this end a consultation exercise was launched following Budget 2012.[21]

## 6 Capital gains tax

Capital gains tax (CGT) is charged on gains in excess of the annual exempt amount, which is frozen at £10,600 for 2012/13. Individuals may realise gains up to this threshold free of tax. The tax is charged at a rate of 18%, and at 28% on gains realised by individuals paying income tax at the higher or additional rates.

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.[22] The Government introduced a 28% rate for higher rate and additional rate taxpayers, with effect from Budget day which was 22 June 2010.[23] The 2012 Budget makes no change to either the rates of CGT or the £10m lifetime limit on capital gains qualifying for entrepreneurs' relief - where eligible gains are taxed at 10%.

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19 A maximum limit of £1,200 a year applied prior to 6 April 2000. Further information is on HMRC's site at: http://www.hmrc.gov.uk/individuals/giving/payroll.htm

20 Further information is on HMRC's site at: http://www.hmrc.gov.uk/individuals/giving/gift-aid.htm

21 HC 836 March 2011 paras 2.112-115; HMRC, *The Gift Aid Small Donations Scheme*, 27 March 2012

22 Prior to this capital gains had been were treated as the top slice of income, and the tax was charged at the same rates of tax as savings income.

23 Details on the tax are collated on HMRC's site at: http://www.hmrc.gov.uk/cgt/index.htm

## 7 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. The tax is charged at 40% above the tax-free allowance. This allowance is frozen at £325,000 for 2012/13. In Budget 2011 the Government had announced that the threshold would remain frozen at this level until April 2015 – a decision it confirmed in Budget 2012.[24]

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 tax-free allowance 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.[25]

[24] HC 836 March 2011 para 2.58; HC 1853 March 2012 para 2.82

[25] Details on the tax are collated on HMRC's site at: http://www.hmrc.gov.uk/inheritancetax/

## Appendix 1 : Changes announced in Budget 2012 for 2013/14

In his Budget speech on 21 March 2012 the Chancellor, George Osborne, announced a number of changes to income tax rates and allowances to apply **from April 2013**:

- The additional rate of income tax which is paid by individuals on income in excess of £150,000 will be cut from 50% to 45%.

- The basic personal allowance will be increased by £1,100 to £9,205 for 2013/14. In addition the basic rate limit will be reduced by £2,125 to £32,245.

- The two age-related allowances for individuals aged 65 and over will be phased out:

  - from April 2013 the level of each allowance will be frozen at their 2012/13 levels.
  - each allowance will be restricted to *existing* recipients only.

  As a consequence, the allowance of £10,500 for 2012/13 (available to people aged 65 to 74) will be restricted to people born after 5 April 1938 but before 6 April 1948. The allowance of £10,660 for 2012/13 (available to people aged 75 and over) will be restricted to people born before 6 April 1938.

Further details on these changes and their impact are given in three Library standard notes:

- *Income tax: the new 50p rate*, SN00249, 2 April 2012

- *The increase in the personal allowances: regional statistics*, SN06280, 28 March 2012

- *Age-related personal allowance*, SN06518, 27 March 2012.

# Appendix 2 : Main personal income tax rates and allowances since 1990/91

Table 1
**Main income tax rates and allowances: 1990/91-2013/14**

| | 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** | 9,205 | n/a | 32,245 | 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 - 12
Tax Benefit Reference Manual 2009-10, HM Treasury 2009

Table 2

**Age-related allowances: 1990/91 to 2013/14**

£ 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 | .. | .. |

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.
The married couple's allowance for 2013/14 has not yet been announced

Sources: HMRC
Tax Benefit Reference Manual 2009-10, HM Treasury 2009