Direct taxes: rates and allowances 2014/15

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This paper sets out the main changes to direct tax rates and allowances announced in the Budget on 19 March 2014. It lists the principal personal allowances which will be available against income tax in the tax year 2014/15, 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.

Marguerite Page

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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 2014/15 these three rates are 20%, 40% and 45% respectively. Tax is charged on taxable income at the basic rate up to the basic rate limit, set at £31,865. Taxable income excludes personal allowances, which represent the amount of money someone may receive free of tax. Tax is charged at the higher rate on taxable income between the basic rate limit and the higher rate limit, which is set at £150,000. The additional rate is charged on taxable income over £150,000. All three tax rates are unchanged.

The **personal allowance** is increased by £560 to £10,000 for 2014/15. The basic rate limit is cut by £145, so that the higher rate threshold – the point at which individuals become liable to pay tax at the higher rate – is increased by 1%, rather than in line with inflation.

The two **age-related personal allowances** for older people are frozen in cash terms: at £10,500 and £10,660, following the decision in the 2012 Budget to phase out both allowances. From April 2013 only existing recipients are entitled to claim either allowance, so that for 2014/15 individuals must be between 67 and 76 years old to claim the first allowance of £10,500. Similarly individuals must be aged 77 or over to claim the higher allowance of £10,660.

Married couples used to be entitled to claim an additional allowance, but this was withdrawn from April 2000 for all couples under 65 at that time.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 2014/15 this allowance is set at £8,165. The allowance is 'restricted' to 10 per cent; in effect, taxpayers receive a credit worth 10% of the married couple's allowance to set against their final tax bill.

In the 2014 Budget the Government announced a number of **changes to apply from 2015/16**: these include, an increase in the personal allowance to £10,500; and, a change to the tax rules to allow people to access their defined contribution pension savings whenever and however they wish from age 55, subject to their marginal rate of income tax.

The rates of **National Insurance contributions** (NICs) for both employees and employers are unchanged for 2014/15. 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 £153 per week. The upper earnings limit is increased to £805 per week for 2014/15, so that it remains aligned with the higher rate threshold.

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 2014/15 year are set out in Annex B to HM Treasury, *Overview of Tax Legislation and Rates*, 19 March 2014 which was published alongside the 2014 Budget report.

1 Rates and thresholds

1.1 Income tax

Earned income

For 2014/15 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 45%. All three rates are unchanged.

The 20% basic rate applies to taxable income up to a threshold of £31,865. Taxable income excludes personal allowances, which represent the amount of money someone may receive free of tax. (Personal allowances are discussed in more detail in section 2 of this paper.) Taxable income in excess of the threshold is charged at the higher rate of 40%, up to £150,000. Income earned above this threshold is charged tax at 45%.

2013/14		2014/15	
Taxable income	**Tax rate**	**Taxable income**	**Tax rate**
£0 - £32,010	**20%**	**£0 - £31,865**	**20%**
£32,011 - £150,000	**40%**	**£31,866 - £150,000**	**40%**
Over £150,000	**45%**	**Over £150,000**	**45%**

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 2014/15 savings income is charged at 10% for income up to £2,880. Above this limit savings income is charged tax at the basic rate of 20%, up to the basic rate limit of £31,865. 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 45% 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 2014/15 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 37.5% on income above the higher rate limit.

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 £111 per week for 2014/15. A zero rate of NICs is charged on earnings between the LEL and the primary threshold (PT), which is set at £153 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 £805 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 £153 a week for 2014/15.

The rates of NICs for employees and employers for 2014/15 are set out below:[3]

Earnings[a] **£ per week**	**Employee (primary) NIC rate (per cent)[b]**	**Earnings** **£ per week**	**Employer (secondary) NIC rate (per cent)[c]**
Below £111 (LEL)	0%	Below £111 (LEL)	0%
£111 to £153 (PT)	0%	£111 to £153 (ST)	0%
£153 to £805 (UEL)	12%	Above £153	13.8%
Above £805	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 2014/15 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.*[4]

2 Income tax allowances

All individuals irrespective of sex or marital status receive a personal allowance which they can set against income tax. An allowance is also given to individuals who are blind.

Prior to 2013/14, individuals were entitled to claim one of two age-related additions to the personal allowance, if they were between 65 and 74 years of age, or were 75 or over. From April 2013 these age-related allowances are being phased out: only those who are existing recipients of each allowance will be entitled to claim them. Two other transitional allowances may be claimed by those born before 6 April 1935: the married couple's allowance and tax relief on maintenance payments.

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2 This rebate applies for individuals paying into a salary-related scheme only (see, *Contracting out of the State Second Pension*, Library standard note SN04822, 23 March 2011). With the introduction of the single-tier pension, scheduled for April 2016, the additional State Pension will close and, by extension, the option to contract out of it (see, *Single-tier state pension*, Library standard note SN6525, 24 March 2014).

3 Government Actuary's Department, *Report on draft Social Security Benefits Up-rating Order 2014*, January 2014 pp21-2. These thresholds for 2014/15 were set by Order: SI 2014/569.

4 For more details on the way National Insurance works see, *National Insurance contributions : an introduction*, Library standard note SN4517, 8 November 2013

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 requiring that any real changes in allowances would 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.[7] This approach has been amended, following decisions to phase out the age-related allowances from April 2013, increase the personal allowance in real terms in both 2014/15 and 2015/16, and increase the higher rate threshold by 1% in both those years. Those elements of the direct tax system still indexed by reference to RPI are to be covered by CPI from 2016/17.[8] At present the threshold for the additional rate (£150,000), and the income limit for the tapered withdrawal of the personal allowance (£100,000), have not been included in these provisions, and are fixed in monetary value.

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.[9] 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. For the year to September 2013 the rates of CPI and RPI were 2.7% and 3.2% respectively.[10]

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. The allowance is not transferable between spouses. For 2014/15 this allowance is £10,000.

In May 2010, the new Coalition Government announced that as part of its first Budget it would introduce a substantial increase in the personal tax allowance. The Government also stated that its longer-term objective was to increase the allowance up to £10,000.[11] The allowance was set at £6,475 for 2010/11, and in his Budget speech on 22 June 2010, the Chancellor, George Osborne, announced that it would rise to £7,475 from April 2011. At this time Mr Osborne confirmed that the Government would continue to increase the allowance

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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

8 Specifically, the staring rate limit for savings income and the secondary NICs threshold (HM Treasury, *Budget 2014 : policy costings*, March 2014 pp59-60 (Annex A: Indexation in the public forecast baseline).

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

10 Office of National Statistics, *Consumer Price Indices September 2013*, 16 October 2013

11 HMG, *The Coalition: our programme for government*, 20 May 2010 p30

"during the rest of this Parliament".[12] The allowance was increased by £630 for 2012/13, £1,135 for 2013/14, and a further £560 to £10,000 for the year 2014/15.

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 2014/15.

2.3 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 2014/15, and is set at £2,230. 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.

2.4 Age-related allowances

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. In the 2012 Budget the 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.[13]

For 2014/15 the first of these allowances, frozen at £10,500, remains restricted to people born after 5 April 1938 but before 6 April 1948. The second allowance, frozen at £10,660, is restricted to people born before 6 April 1938.

The age-related allowance is withdrawn if an individual's income exceeds a set limit. This is done by cutting the allowance by £1 for every £2 by which an individual's income exceeds the income limit. This limit remains in place for those who are still eligible to claim either allowance, and is set at £27,000 for 2014/15.[14] 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.

For individuals 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:

67 – 76	**£28,000**
77 and over	**£28,200**

2.5 Other 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

12 HC Deb 22 June 2010 c179
13 For more details see, *Age-related personal allowance*, Library standard note SN6158, 28 March 2014.
14 It has been increased in line with inflation from 2013/14.

allowance.[15] 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.

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**.[16] For 2014/15, this allowance is £8,165, increased in line with inflation. 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: ie, £817

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 £3,140 for 2014/15, restricted to 10%.[17] 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 80 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.[18]

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 80 or over (which is £3,140 restricted to 10% for 2014/15). 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.

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15 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 pp11-12.

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

17 The minimum amount of the MCA is also increased in line with inflation for 2014/15.

18 More guidance is given on HMRC's site: *MarriedCouple's Allowance - includes civil partnerships.* 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.

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.[19]

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 110g/km for 2014/15.[20] Lower rates apply for cars with emissions below this threshold. For cars with emissions above 110g/km, the rate rises by 1 per cent for every 5g/km over that level to the current maximum of 35 per cent (emissions of 210g/km). Two new bands are to be increased from 2015/16 on cars with lower emissions, and rates are to be increased to a new maximum rate of 37%.[21] Budget 2014 confirmed further changes from 2016/17.[22]

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 2014/15 this is £21,700.

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.[23]

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; it was cut to £1.5 million from April 2012, and to £1.25 million from April 2014. The annual allowance for 2014/15 is £40,000.[24]

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[19] 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 45% 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.

[20] Guidance on these rules is set out on HMRC's site at: http://www.hmrc.gov.uk/cars/index.htm

[21] HM Treasury, *Overview of Tax Legislation and Rates*, March 2012 pB4 & March 2013 pB4

[22] HM Treasury, *Overview of Tax Legislation and Rates*, March 2014 pB4

[23] For details see, *Tax and private pensions*, Library standard note SN625, 14 February 2012. Guidance is collated on the department's site at: http://www.hmrc.gov.uk/pensionschemes/

[24] HM Treasury, *Overview of Tax Legislation and Rates*, March 2014 pB9. For more details see, *Restricting pension tax relief*, Library standard note SN5901, 24 September 2013.

The current pension tax rules also restrict the payments that can be made from a pension scheme without attracting an 'unauthorised payments charge'.[25] The effect of the current rules is that most people with defined contribution pension savings use them to buy an annuity.[26] The main exceptions are: people with small amounts of pension saving (who may be able to draw it all as a lump sum)[27] and people who opt for an "income drawdown" arrangement (which allows them to draw an income from their fund while leaving the rest of it invested) and have other pension income above a set amount.[28]

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.[29]

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. 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.[30] Under the scheme charities claim repayment of basic rate tax on donations. Higher rate taxpayers claim higher rate tax relief on their gifts.

In April 2013 the Government launched a new scheme which allows charities to claim Gift Aid on small donations without a Gift Aid declaration. Individual donations must be made in cash and worth no more than £20. Charities may claim a top-up payment, equivalent to Gift Aid relief, on up to £5,000 of donations a year.[31]

6 Capital gains tax

Capital gains tax (CGT) is charged on gains in excess of the annual exempt amount, which is increased by 1% to £11,000 for 2014/15. 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.

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25 HMRC, Registered Pension Schemes Manual (RPSM), page RPSM09200030; *Finance Act 2004,* Part 4, chapter 5

26 HM Treasury, *Freedom and choice in pensions*, Cm 8835, March 2014

27 *Pension lump sums,* Library standard note SN2181, 21 March 2014. See also, Money Advice Service, Should you take a cash lump sum from your pension?, retrieved 3 April 2014

28 *Pensions: ending the requirement to annuitise*, Library standard note SN712, 2 April 2014. See also, Money Advice Service, *Income drawdown*, retrieved 3 April 2014

29 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

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

31 Further information is on HMRC's site at: http://www.hmrc.gov.uk/charities/gasds/index.htm

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.[32] The Government introduced a 28% rate for higher rate and additional rate taxpayers, with effect from Budget day (22 June 2010).[33] The 2014 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%. The Budget confirmed the decision, announced in the Autumn Statement in December 2012, that for the two year period 2014-2016 the annual exempt amount would be increased by 1% only, rather than in line with inflation.[34]

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 2014/15. In Budget 2013 the Government announced that the threshold would remain frozen at this level until April 2018.[35]

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.[36]

32 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.

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

34 HC 1104, March 2014 para 2.83

35 HC 1033, March 2013 para 2.76. Previously the Government had proposed the threshold should be frozen until April 2015 at the earliest (*Budget 2011* HC 836 March 2011 para 2.58).

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

Appendix 1: Changes announced in Budget 2014 for 2015/16

In his 2014 Budget the Chancellor announced a number of measures which would be introduced from April 2015:

- The personal allowance is to be increased by £500 to £10,500 for 20015/16. The higher rate threshold – the sum of the personal allowance and the basic rate limit – is to be increased by 1%, rather than in line with inflation.

- From 6 April 2015, the maximum amount of an eligible individual's savings income that can qualify for the starting rate of tax for savings will be increased to £5,000, and this starting rate will be reduced from 10 per cent to 0.

- From April 2015, the government will change the tax rules to allow people to access their defined contribution pension savings whenever and however they wish from age 55, subject to their marginal rate of income tax.[37]

[37] *Budget 2014*, HC 1104, March 2014 para 1.176, paras 1.170-2, paras 1.156-63. For more details on the last of these measures see, *Pensions: ending the requirement to annuitise*, Library standard note SN712, 2 April 2014.

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

Table 1

Main income tax rates and allowances: 1990/91-2015/16

	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	10,500	n/a	31,785	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 - 14
Tax Benefit Reference Manual 2009-10,

Table 2

Age-related allowances: 1990/91 to 2015/16

£ 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	10,500	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 2014/15 has not yet been announced

Sources: HM Treasury, Budgets 2010 - 14
Tax Benefit Reference Manual 2009-10,