

# FINANCE ACT 2010

## EXPLANATORY NOTES

### INTRODUCTION

#### *Section 1: Charge, Main Rates, Thresholds and Allowances Etc for 2010-11*

#### Background Note

- Income tax is an annual tax re-imposed each year by Parliament (even if the proposed rates are the same as for previous years). Parliament also sets the main rates of income tax annually.
- Where there is an annual increase in the retail prices index (RPI) to the September preceding the relevant tax year, HM Treasury makes an “indexation order”. The indexation order sets the amounts of the basic rate limit, the starting rate limit for savings and personal allowances for the following tax year in amounts increased by the percentage increase in the RPI (any of these amounts can be over-ridden by Parliament through a provision in the Finance Bill). The RPI for the year to September 2009 decreased, so HM Treasury were not able to make an indexation order to set the amounts of the basic rate limit, the starting rate limit for savings and personal allowances for 2010-11. For 2010-11, this section sets the basic rate limit, the starting rate limit for savings, and the personal allowances in the amounts that they were for 2009-10.
- The table below sets out the main rates and income bands for 2009-10 as they apply to taxable income and the proposed main rates and income bands for 2010-11:

	<b>2009-10</b>	<b>2010-11</b>
Basic rate	£0 - £37,400 at 20%	£0 - £37,400 at 20%
Higher rate	Over £37,401 at 40%	£37,401 - £150,000 at 40%
Additional rate		Over £150,000 at 50%

- The table below sets out the starting rate limit for savings for 2009-10 and the proposed starting rate limit for savings for 2010-11:

	<b>2009-10</b>	<b>2010-11</b>
<b>Starting rate limit for savings</b>	£2,440	£2,440

- The table below sets out the personal allowances for 2009-10 and the proposed personal allowances for 2010-11:

	<b>2009-10</b>	<b>2010-11</b>
Personal allowance (aged under 65)	£6,475	£6,475
(1) Married couple’s allowance is available to people born before 6 April 1935. It is given at a rate of 10 per cent.		

*These notes refer to the Finance Act 2010 (c.13)  
which received Royal Assent on 8 April 2010*

	<b>2009-10</b>	<b>2010-11</b>
Personal allowance (aged 65 – 74)	£9,490	£9,490
Personal allowance (aged 75 and over)	£9,640	£9,640
Married couple's allowance <sup>1</sup>	£6,965	£6,965
Married couple's allowance: minimum amount	£2,670	£2,670
Income limit for age-related allowances	£22,900	£22,900
Blind person's allowance	£1,890	£1,890
<p>(1) Married couple's allowance is available to people born before 6 April 1935. It is given at a rate of 10 per cent.</p>		

10. The basic rate limit, starting rate limit for savings and the personal allowances are provided for by ITA, as amended by Finance Acts 2008 and 2009.