



Finance (No. 2) Act 2015

2015 CHAPTER 33

PART 1

PRINCIPAL RATES ETC

Personal allowance and basic rate limit for income tax

3 Personal allowance and national minimum wage

(1) After section 57 of ITA 2007 insert—

“57A Personal allowance linked to national minimum wage

- (1) This section provides for increases in the amount specified in section 35(1) (personal allowance).
- (2) It applies in relation to a tax year if—
 - (a) the relevant national minimum wage at the start of the tax year is greater than it was at the start of the previous tax year, and
 - (b) the amount specified in section 35(1) immediately before the start of the tax year is at least £12,500.
- (3) For the tax year, the personal allowance specified in section 35(1) is to be the yearly equivalent of the relevant national minimum wage at the start of the tax year.
- (4) Subsections (1) to (3) do not require a change to be made in the amounts deductible or repayable under PAYE regulations during the period beginning on 6 April and ending on 17 May in the tax year.
- (5) Before the start of the tax year the Treasury must make an order replacing the amount specified in section 35(1) with the amount which, as a result of this section, is the personal allowance for the tax year.

Status: This is the original version (as it was originally enacted).

(6) For the purposes of this section, the “relevant national minimum wage”, at any time, is—

- (a) the hourly rate prescribed under section 3(2)(b) of the National Minimum Wage Act 1998 in relation to persons aged 21, or
- (b) if no hourly rate is so prescribed in relation to such persons, the single hourly rate prescribed under section 1(3) of that Act.

(7) For the purposes of this section, the yearly equivalent of the relevant national minimum wage at any time is the amount equal to—

$$\text{NMW} \times 30 \times 52$$

where NMW is the relevant national minimum wage at that time.”

(2) In section 57 of ITA 2007 (indexation of allowances), at the end insert—

“(8) This section ceases to have effect in relation to the amount specified in section 35(1) when that amount becomes (by virtue of this section or otherwise) an amount of £12,500 or more.”

(3) In section 1014 of ITA 2007 (orders and regulations), in subsection (5)(b), after subparagraph (ii) insert—

“(ia) section 57A (personal allowance linked to national minimum wage),”.

4 Personal allowance and national minimum wage: Chancellor’s duties

(1) This section applies where the personal allowance for income tax for the time being specified in section 35(1) of ITA 2007 is less than £12,500.

(2) Before the Chancellor of the Exchequer announces a proposal to increase that allowance to an amount which is less than £12,500, he or she must consider the financial effect of the proposal on a person paid the relevant national minimum wage.

(3) If such a proposal is announced, the Chancellor of the Exchequer must make a statement as to what he or she considers that that financial effect would be.

(4) In this section—

“person paid the relevant national minimum wage” means a person who works for 30 hours a week for a year at the relevant national minimum wage;

“relevant national minimum wage” means—

- (a) the hourly rate prescribed under section 3(2)(b) of the National Minimum Wage Act 1998 in relation to persons aged 21, or
- (b) if no hourly rate is so prescribed in relation to such persons, the single hourly rate prescribed under section 1(3) of that Act.

(5) This section ceases to have effect when the allowance referred to in subsection (1) becomes an amount of £12,500 or more.

5 Personal allowance from 2016

In section 5(1) of FA 2015 (personal allowance from 2016)—

- (a) in paragraph (a) (personal allowance for 2016-17), for “£10,800” substitute “£11,000”, and

- (b) in paragraph (b) (personal allowance for 2017-18), for “£11,000” substitute “£11,200”.

6 Basic rate limit from 2016

In section 4(1) of FA 2015 (basic rate limit from 2016)—

- (a) in paragraph (a) (basic rate limit for 2016-17), for “£31,900” substitute “£32,000”, and
- (b) in paragraph (b) (basic rate limit for 2017-18), for “£32,300” substitute “£32,400”.