

1989 No. 467

**INCOME TAX**

**The Income Tax (Indexation) Order 1989**

*Made* - - - - *14th March 1989*

The Treasury, in pursuance of sections 1(6) and 257(11) of the Income and Corporation Taxes Act 1988(a), hereby make the following Order:

1. This Order may be cited as the Income Tax (Indexation) Order 1989.

2.—(1) The amounts which, unless Parliament otherwise determines, will be treated by virtue of sections 1(4) and 257(9) of the Income and Corporation Taxes Act 1988(b) as specified for the year 1989–90 in sections 1(2) and 257(1), (2), (3), (5) and (6) of that Act are set out in paragraphs (2) and (3).

(2) In section 1(2) of the said Act (basic rate limit)—£20,700.

(3) In section 257 of the said Act (personal reliefs)—

(a) in subsection (1)(a) (married allowance)—£4,375;

(b) in subsections (1)(b) (single allowance) and (6) (wife's earned income relief)—£2,785;

(c) in subsection (2)(a) (married allowance: age 65 to 79)—£5,385;

(d) in subsection (2)(b) (single allowance: age 65 to 79)—£3,400;

(e) in subsection (3)(a) (married allowance: age 80 and over)—£5,565;

(f) in subsection (3)(b) (single allowance: age 80 and over)—£3,540;

(g) in subsection (5) (income limit for age allowance)—£11,400.

*Kenneth Carlisle*  
*Alan Howarth*

14th March 1989

Two of the Lords Commissioners of Her Majesty's Treasury

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(a) 1988 c.1: section 1(2), (3), (4) and (6) was amended by section 24 of the Finance Act 1988 (c.39) and section 257 was amended by section 25(1) of the Finance Act 1988. (b) Sections 1(4) and 257(9) were disapplied for the year 1988–89 by sections 24(2) and 25(2) respectively of the Finance Act 1988.

## EXPLANATORY NOTE

*(This note is not part of the Order)*

Sections 1(6) and 257(11) of the Income and Corporation Taxes Act 1988 ("the Act") provide that the Treasury shall by order made by statutory instrument before 6th April 1989 specify the amounts which by virtue of those sections shall, unless Parliament otherwise determines, be treated as specified for the year 1989-90. These are the basic rate limit (section 1 of the Act) and the personal reliefs (section 257 of the Act) respectively. The higher rate bands were abolished by the Finance Act 1988 with effect from 6th April 1988. The amounts of the basic rate limit and the personal reliefs for the year 1988-89 were fixed by sections 24(2) and 25(1) respectively of the Finance Act 1988. Those amounts are increased by this order in accordance with the percentage increase (6.8%) in the retail prices index for December 1988 over that for December 1987. Certain of the amounts have been rounded to the nearest £100 in accordance with sections 1(4) and 257(9)(a) of the Act and, in the case of the other amounts, the increases have been rounded to the nearest £10 in accordance with section 257(9)(b) of the Act.

The "retail prices index" is defined in section 833(2) of the Act as the "general index of retail prices (for all items) published by the Department of Employment". The retail prices index for December 1987 is 103.3 and for December 1988 110.3 (based on January 1987 as 100). (Table 6.4 on pages S60 and S61 of the February 1989 number of the *Employment Gazette*, the official journal of the Department of Employment.)

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