



# Finance Act 2014

## 2014 CHAPTER 26

### PART 1

#### INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

### CHAPTER 1

#### CHARGE, RATES ETC

##### *Income tax*

## **1 Charge, rates, basic rate limit and personal allowance for 2014-15**

- (1) Income tax is charged for the tax year 2014-15.
- (2) For that tax year—
  - (a) the basic rate is 20%,
  - (b) the higher rate is 40%, and
  - (c) the additional rate is 45%.
- (3) For that tax year—
  - (a) the amount specified in section 10(5) of ITA 2007 (basic rate limit) is replaced with “£31,865”, and
  - (b) the amount specified in section 35(1) of that Act (personal allowance for those born after 5 April 1948) is replaced with “£10,000”.
- (4) Accordingly for that tax year—
  - (a) section 21 of that Act (indexation of limits), so far as relating to the basic rate limit, does not apply, and
  - (b) section 57 of that Act (indexation of allowances), so far as relating to the amount specified in section 35(1) of that Act, does not apply.

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## **2 Basic rate limit for 2015-16 and personal allowances from 2015**

- (1) For the tax year 2015-16—
  - (a) the amount specified in section 10(5) of ITA 2007 (basic rate limit) is replaced with “£31,785”, and
  - (b) the amount specified in section 35(1) (personal allowance) is replaced with “£10,500”.
- (2) Accordingly, for that tax year—
  - (a) section 21 of that Act (indexation of limits), so far as relating to the basic rate limit, does not apply, and
  - (b) section 57 (indexation of allowances), so far as relating to the amount specified in section 35(1), does not apply.
- (3) In section 34(1)(a) of that Act (introduction), omit “, 36”.
- (4) In section 35 of that Act (personal allowance for those born after 5 April 1948)—
  - (a) in subsection (1)(a), for “1948” substitute “1938”, and
  - (b) in the heading, for “1948” substitute “1938”.
- (5) Omit section 36 of that Act (personal allowance for those born after 5 April 1938 but before 6 April 1948).
- (6) In section 45(4)(b) of that Act (marriages before 5 December 2005), omit “36(2) or”.
- (7) In section 46(4)(b) of that Act (marriages and civil partnerships on or after 5 December 2005), omit “36(2) or”.
- (8) In section 57 of that Act (indexation of allowances)—
  - (a) in subsection (1)(a), for “1948” substitute “1938”, and
  - (b) in subsection (4) omit “36(2),”.
- (9) The amendments made by subsections (3) to (8) have effect for the tax year 2015-16 and subsequent tax years.

## **3 The starting rate for savings and the savings rate limit**

- (1) In section 7 of ITA 2007 (the starting rate for savings) for “10%” substitute “0%”.
- (2) For the tax year 2015-16 the amount specified in section 12(3) of that Act (starting rate limit for savings) is replaced with “£5,000”.
- (3) Accordingly section 21 of that Act (indexation of limits), so far as relating to the starting rate limit for savings, does not apply for that tax year.
- (4) In section 852 of that Act (power to make regulations disapplying duty to deduct sums representing income tax), in subsection (2)(a), after “made” insert “or is unlikely to be liable to pay any income tax on that person’s savings income for that tax year”.
- (5) The amendments made by subsections (1) and (4) have effect for the tax year 2015-16 and subsequent tax years.

## **4 Indexation of limits and allowances under ITA 2007**

- (1) ITA 2007 is amended as follows.

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- (2) In section 21 (indexation of the basic rate limit and starting rate limit for savings)—
- (a) in each of subsections (1), (3) and (3A), for “retail prices index” substitute “consumer prices index”, and
  - (b) after subsection (5) insert—
    - “(6) In this section “consumer prices index” means the all items consumer prices index published by the Statistics Board.”
- (3) In section 57 (indexation of allowances)—
- (a) in each of subsections (2), (3) and (4), for “retail prices index” substitute “consumer prices index”, and
  - (b) after subsection (6) insert—
    - “(7) In this section “consumer prices index” means the all items consumer prices index published by the Statistics Board.”
- (4) The amendments made by subsections (2) and (3) have effect for the tax year 2015-16 and subsequent tax years.

### *Corporation tax*

#### **5 Charge for financial year 2015**

Corporation tax is charged for the financial year 2015.

#### **6 Small profits rate and fractions for financial year 2014**

- (1) For the financial year 2014 the small profits rate is—
- (a) 20% on profits of companies other than ring fence profits, and
  - (b) 19% on ring fence profits of companies.
- (2) For the purposes of Part 3 of CTA 2010, for that year—
- (a) the standard fraction is 1/400th, and
  - (b) the ring fence fraction is 11/400ths.
- (3) In subsection (1) “ring fence profits” has the same meaning as in Part 8 of that Act (see section 276 of that Act).

#### **7 Rates for ring fence profits and abolition of small profits rate for non-ring fence profits**

Schedule 1—

- (a) sets the corporation tax rates for ring fence profits for the financial year 2015 and future years, and
- (b) contains provision about the abolition of the small profits rate for profits other than ring fence profits.

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### *Capital gains tax*

#### **8 Annual exempt amount for 2014-15**

- (1) For the tax year 2014-15 the amount specified in section 3(2) of TCGA 1992 (annual exempt amount) is replaced with “£11,000”.
- (2) Accordingly section 3(3) of that Act (indexation of annual exempt amount) does not apply for that tax year.

#### **9 Annual exempt amount for 2015-16 onwards**

- (1) For the tax year 2015-16 and subsequent tax years the amount specified in section 3(2) of TCGA 1992 (annual exempt amount) is replaced with “£11,100”.
- (2) Section 3(3) of that Act (indexation of annual exempt amount) does not apply in relation to the tax year 2015-16 (but subsection (1) does not override section 3(3) of that Act for subsequent tax years).

### *Capital allowances*

#### **10 Temporary increase in annual investment allowance**

- (1) In relation to expenditure incurred during the period beginning with the start date and ending with 31 December 2015, section 51A of CAA 2001 (entitlement to annual investment allowance) has effect as if in subsection (5) the amount specified as the maximum allowance (which in the absence of this section would be £250,000 in relation to expenditure incurred before 1 January 2015 and £25,000 in relation to expenditure incurred on or after that date) were £500,000.
- (2) Schedule 2 contains—
  - (a) provision about chargeable periods which straddle the start date or 1 January 2016, and
  - (b) amendments of FA 2013.
- (3) In this section and that Schedule “the start date” means—
  - (a) for corporation tax purposes, 1 April 2014, and
  - (b) for income tax purposes, 6 April 2014.