

*These notes refer to the Income Tax Act 2007 (c.3)  
which received Royal Assent on 20 March 2007*

# INCOME TAX ACT 2007

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## EXPLANATORY NOTES

### COMMENTARY ON SECTIONS

#### Part 3: Personal reliefs

##### Overview

#### Chapter 4: General

##### Overview

#### Section 58: Meaning of “adjusted net income”

228. This section brings together the rules from several source provisions about calculating income for the purposes of the age-related personal allowances. It is based on section 835(5) of ICTA, section 25(9A) of FA 1990 and section 192(5) of FA 2004.
229. The starting point is the measure of an individual’s net income as set out in Step 2 in section 23. An individual’s net income is determined before allowances under Chapter 2 of this Part are deducted. Section 835(5) of ICTA makes it clear that such allowances are not deducted in determining the income threshold for the purpose of sections 257(5) and 257A(5) of ICTA. Due to an oversight in the amendments made by the [Tax and Civil Partnership Regulations 2005 \(SI 2005/3229\)](#), the rule was not applied to the calculation of the income threshold in section 257AB(4) of ICTA. That oversight is corrected here. See *Change 8* in Annex 1.
230. *Subsection (1)* makes a number of adjustments to the amount of net income.
231. Before FA 2000, covenanted donations to charities were charges on income. But section 41 of FA 2000 amended that rule so that charitable donations are no longer charges on income. In order that the measure of income used in the calculation of age-related personal allowances was not affected by this change, section 25(9A) of FA 1990 was inserted to ensure that charitable donations continued to reduce income for this purpose. *Step 2* gives effect to this rule.
232. Under the gift aid rules the donor gives an amount (the net amount) which is grossed up at the basic rate of tax to provide a “grossed up amount”. *Step 2*, together with *subsection (2)*, make it clear that, as has always been understood, it is the gross amount that is to be deducted.
233. *Step 3* together with *subsection (3)* provide for a deduction to be made from income for the gross amount of certain pension contributions paid under deduction of tax. This rule is based on section 192(5) of FA 2004.
234. *Step 4* ensures that any relief given under section 457 or 458 that has been deducted in arriving at net income is added back. That reflects section 835(5) of ICTA in relation to the income threshold in the age-related personal allowances and in married couple’s allowance for marriages taking place before 5 December 2005. This provision

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applies the rule also to the calculation of the income threshold for marriages and civil partnerships entered into to on or after that date. See *Change 8* in Annex 1.