

# FINANCE ACT 2014

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## EXPLANATORY NOTES

### INTRODUCTION

#### *Section 11: Transferable Tax Allowance for Married Couples and Civil Partners*

##### **Summary**

1. This section introduces a transferable tax allowance for married couples and civil partners.

##### **Details of the Section**

2. Subsection 1 inserts sections 55A to 55E into Income Tax Act 2007 to provide for the transfer of income tax personal allowances for married couples and civil partners.
3. New section 55A introduces the new provisions and provides that the transferred allowance is given effect as a deduction from an individual's income tax liability.
4. New section 55B provides the conditions that an individual must meet to receive the transferred allowance and sets out how the tax reduction is to be calculated. Where an individual or their spouse is entitled to the married couple's allowance (available to spouses and civil partners born before 6 April 1935) they are not entitled to a tax reduction under this section. For 2015-16, the transferable amount is £1,050. From 2016-17, the amount of the transfer for a tax year will be 10 per cent of the personal allowance for those born after 5 April 1938.
5. New section 55C provides the conditions that an individual must meet to make an election to surrender entitlement to the transferred amount of their personal allowance. If an individual is entitled to a personal allowance but is not a UK resident for the tax year, they must have a hypothetical income that is less than the personal allowance they are entitled to.
6. New section 55D provides the procedures for an individual to make an election. An election will have effect in subsequent tax years unless it is withdrawn. If the election is made after the end of the tax year to which it relates, the election only applies to that year. A transferor can only withdraw their election with effect from the tax year following the tax year in which they make the withdrawal. There is an exception where during a tax year their marriage or civil partnership comes to an end. The exception allows the transferor to withdraw their election with effect in the year they make the withdrawal. An election becomes ineffective where the recipient does not obtain a tax reduction.
7. New section 55E provides that an individual cannot have more than one tax reduction or election for a tax year. It also makes consequential amendments flowing from the new provisions.

##### **Background Note**

8. This measure introduces a transferable personal allowance for married couples and civil partners where neither spouse nor civil partner is liable to income tax at the

*These notes refer to the Finance Act 2014 (c.26)  
which received Royal Assent on 17 July 2014*

higher or additional rate. From 2015-16, a spouse or civil partner (a transferor) who meets the qualifying conditions will be able to elect to transfer a fixed amount of their personal allowance to their spouse or civil partner (the recipient). Where the qualifying conditions are met, the recipient's income tax liability is reduced by an amount calculated in accordance with new section 55B.

9. Transferors will be able to withdraw their election with effect from the tax year following the tax year in which they notify HM Revenue & Customs. However, the transferor will have the option to withdraw their election with effect from the tax year that their marriage or civil partnership comes to a legal end.