Finance (No. 2) Act 2015

2015 CHAPTER 33

PART 1

PRINCIPAL RATES ETC

Tax lock

1 Income tax lock

(1) For any tax year to which this section applies—
(a) the basic rate of income tax shall not exceed 20%,
(b) the higher rate of income tax shall not exceed 40%, and
(c) the additional rate of income tax shall not exceed 45%.

(2) This section applies to a tax year—
(a) which begins after the day on which this Act is passed but before the date of the first parliamentary general election after that day, and
(b) for which income tax is charged.

2 VAT lock

(1) The rate of value added tax for the time being in force under section 2 of VATA 1994 (standard rate) shall not exceed 20% during the VAT lock period.

(2) The rate of value added tax for the time being in force under section 29A of VATA 1994 (reduced rate) shall not exceed 5% during the VAT lock period.

(3) No supply specified in Schedule 7A to VATA 1994 (charge at reduced rate) at the beginning of the VAT lock period may be removed from it under section 29A(3) of that Act during that period.

(4) No goods, services or supply specified in Schedule 8 to VATA 1994 (zero-rating) at the beginning of the VAT lock period may be removed from it under section 30(4) of that Act during that period.

(5) In this section the “VAT lock period” means the period beginning with the day on which this Act is passed and ending immediately before the date of the first parliamentary general election after that day.

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.

(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—

$$NMW \times 30 \times 52$$

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 sub-paragraph (ii) insert—

"(iia) 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" ".

Corporation tax

7 Rate of corporation tax for financial years 2017-2020

(1) For the financial years 2017, 2018 and 2019 the main rate of corporation tax is 19%.

(2) For the financial year 2020 the main rate of corporation tax is 18%.

Capital allowances

8 Annual investment allowance

(1) In section 51A of CAA 2001 (entitlement to annual investment allowance), for the amount specified in subsection (5) as the maximum allowance (which in the absence of this section would be £25,000 in relation to expenditure incurred on or after 1 January 2016) substitute " £200,000 ".

(2) The amendment made by subsection (1) has effect in relation to expenditure incurred on or after 1 January 2016.

(3) Subsection (2) is subject to paragraphs 4 and 5 of Schedule 2 to FA 2014 (which relate to cases involving chargeable periods which begin before 1 January 2016 and end on or after that day).