



# Finance Act 2016

## 2016 CHAPTER 24

### PART 1

#### INCOME TAX

##### *Rate structure*

#### 6 Structure of income tax rates

- (1) ITA 2007 is amended in accordance with subsections (2) to (22).  
(2) Before section 10 insert—

##### **“9A Overview of sections 10 to 15**

The general effect of sections 10 to 15 is outlined in the following table—

<i>Type of taxpayer</i>	<i>Rates payable on savings income</i>	<i>Rates payable on most dividend income</i>	<i>Rates payable on other income</i>
UK resident individual who is neither a Scottish taxpayer nor a Welsh taxpayer	Savings rates	Dividend rates	Main rates
Scottish taxpayer	Savings rates	Dividend rates	Scottish rates
Welsh taxpayer	Savings rates	Dividend rates	Main rates while section 11B is not in force; Welsh rates if that section is in force

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<i>Type of taxpayer</i>	<i>Rates payable on savings income</i>	<i>Rates payable on most dividend income</i>	<i>Rates payable on other income</i>
Non-UK resident individual	Savings rates	Dividend rates	Default rates
Non-individual, except that some trustees in some circumstances are subject instead to the trust rate or the dividend trust rate	Default basic rate	Dividend ordinary rate	Default basic rate

Note: the table does not address the effect of some exceptions referred to in sections 10 to 15.”

(3) Before section 7 insert—

**“6C The default basic, higher and additional rates**

The default basic rate, default higher rate and default additional rate for a tax year are the rates determined as such by Parliament for the tax year.”

(4) After section 7 insert—

**“7A The savings basic, higher and additional rates**

The savings basic rate, savings higher rate and savings additional rate for a tax year are the rates determined as such by Parliament for the tax year.”

(5) In section 6(3) (other rates)—

(a) before paragraph (a) insert—

“(zc) section 6C (default basic, higher and additional rates),”, and

(b) after paragraph (a) insert—

“(aa) section 7A (savings basic, higher and additional rates),”.

(6) In section 10(2) (income charged at basic rate) omit the words after “at the basic rate”.

(7) In section 10(4) (provisions displacing charge at basic, higher and additional rates), before the entry (inserted by this Act) relating to section 12A insert—

“section 11C (income charged at the default basic, higher and additional rates: non-UK resident individuals),

section 11D (savings income charged at the savings basic, higher and additional rates: individuals),

section 12 (savings income charged at the starting rate for savings),”.

(8) In section 11 (income charged at the basic rate: other persons)—

(a) in the heading, for “basic rate: other persons” substitute “default basic rate: non-individuals”, and

(b) in subsection (1), before “basic” insert “default”.

(9) After section 11B insert—

**“11C Income charged at the default basic, higher and additional rates:  
non-UK resident individuals**

- (1) Income tax on a non-UK resident individual’s income up to the basic rate limit is charged at the default basic rate.
- (2) Income tax is charged at the default higher rate on a non-UK resident individual’s income above the basic rate limit and up to the higher rate limit.
- (3) Income tax is charged at the default additional rate on a non-UK resident individual’s income above the higher rate limit.
- (4) Subsections (1) to (3) are subject to—
  - section 11D (savings income charged at the savings basic, higher and additional rates),
  - section 12 (savings income charged at the starting rate for savings),
  - section 12A (savings income charged at the savings nil rate),
  - section 13 (income charged at the dividend ordinary, upper and additional rates: individuals), and
  - any other provisions of the Income Tax Acts (apart from section 10) which provide for income to be charged at different rates of income tax in some circumstances.

**11D Income charged at the savings basic, higher and additional rates**

- (1) Income tax is charged at the savings basic rate on an individual’s income which—
  - (a) is saving income, and
  - (b) would otherwise be charged at the basic rate or the default basic rate.
- (2) Income tax is charged at the savings higher rate on an individual’s income which—
  - (a) is savings income, and
  - (b) would otherwise be charged at the higher rate or the default higher rate.
- (3) Income tax is charged at the savings additional rate on an individual’s income which—
  - (a) is savings income, and
  - (b) would otherwise be charged at the additional rate or the default additional rate.
- (4) Subsections (1) to (3)—
  - (a) have effect after sections 12 and 12A have been applied (so that any reference in subsections (1) to (3) to income which would otherwise be charged at a particular rate does not include income charged at the starting rate for savings or at the savings nil rate), and
  - (b) are subject to any other provisions of the Income Tax Acts (apart from sections 10 and 11C) which provide for income to be charged at different rates of income tax in some circumstances.

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- (5) Section 16 has effect for determining the extent to which an individual's savings income above the starting rate limit for savings would otherwise be charged at the basic, higher or additional rate or the default basic, default higher or default additional rate.
- (6) In relation to an individual who is a Scottish taxpayer, references in this section to income which would otherwise be charged at a particular rate are to be read as references to income that would, if the individual were not a Scottish taxpayer (but were UK resident), be charged at that rate (and subsection (5) is to be read accordingly)."
- (10) In section 12(1) (income charged at the starting rate for savings)—
- (a) omit "(rather than the basic rate)", and
  - (b) for "as is savings income" substitute "as—
    - (a) is savings income, and
    - (b) would otherwise be charged at the basic rate or the default basic rate".
- (11) In section 12A (inserted by this Act)—
- (a) in each of subsections (3) and (4), after "rather than the basic, higher or additional rate" insert "or the default basic, default higher or default additional rate", and
  - (b) in subsection (5), for "section 10" substitute "sections 10 and 11C".
- (12) In section 12B (inserted by this Act), in subsection (8) (income charged at savings nil-rate: meaning of "additional-rate income" and "higher-rate income")—
- (a) in paragraph (a)(i), after "at the additional rate" insert " , default additional rate",
  - (b) in paragraph (a)(ii), after "additional rate" insert " , or default additional rate",
  - (c) in paragraph (a)(iv), after "additional rate" insert "or default additional rate",
  - (d) in paragraph (b)(i), after "at the higher rate" insert " , default higher rate",
  - (e) in paragraph (b)(ii), after "higher rate" insert " , or default higher rate", and
  - (f) in paragraph (b)(iv), after "higher rate" insert "or default higher rate".
- (13) In section 16(1) (purposes of rules about highest part of income), before the "and" at the end of the paragraph (aa) (inserted by this Act) insert—
- “(ab) the rate at which income tax would be charged on a person's savings income above the starting rate limit for savings apart from sections 11D and 12A,”.
- (14) In section 17(1) (repayment where tax paid at basic rate instead of starting rate for savings), for "at the basic rate" substitute "at a rate greater than the starting rate for savings".
- (15) In section 55B (entitlement to transferable tax allowances for married couples and civil partners)—
- (a) in subsection (2)(b) as amended by section 5 of this Act, after "other than the basic rate," insert "the default basic rate, the savings basic rate," and
  - (b) in subsection (3), after "is the basic rate" insert "or default basic rate".

- (16) In section 55C(1)(c) (election to reduce personal allowance conditional on not becoming subject to higher rates) as amended by section 5 of this Act, after “other than the basic rate,” insert “the default basic rate, the savings basic rate,”.
- (17) In section 58(2) (“adjusted net income” includes grossed-up gift aid donations), after “grossed up by reference to the basic rate for the tax year” insert “if for the tax year the individual is UK resident but not a Scottish taxpayer, by reference to the default basic rate for the tax year if for the tax year the individual is non-UK resident”.
- (18) In section 414(2)(a) (gift aid donation treated as made after deduction of tax at the basic rate or Scottish basic rate), before the “or” at the end of sub-paragraph (i) insert—  
“(ia) at the default basic rate if for the tax year the individual is non-UK resident,”.
- (19) In section 415 (grossing-up rate for gift aid purposes), after “the basic rate for the tax year in which the gift is made” insert “if the gift is made by an individual who for that tax year is UK resident but not a Scottish taxpayer, by reference to the default basic rate for that tax year if the gift is made by an individual who for that tax year is non-UK resident”.
- (20) In section 828B(5) (exemption for non-domiciled UK residents conditional on not being subject to higher rates) as amended by section 4 of this Act, after “other than the basic rate” insert “, the savings basic rate”.
- (21) In section 989 (definitions for the purposes of the Income Tax Acts), at the appropriate places insert—  
““default additional rate” means the rate of income tax of that name determined pursuant to section 6C,  
“default basic rate” means the rate of income tax of that name determined pursuant to section 6C,  
“default higher rate” means the rate of income tax of that name determined pursuant to section 6C,”  
and—  
““savings additional rate” means the rate of income tax of that name determined pursuant to section 7A,”  
and—  
““savings basic rate” means the rate of income tax of that name determined pursuant to section 7A,  
“savings higher rate” means the rate of income tax of that name determined pursuant to section 7A,”.
- (22) In Schedule 4 (index of defined expressions), at the appropriate places insert—

“default additional rate	section 6C (as applied by section 989)”
“default basic rate	section 6C (as applied by section 989)”
“default higher rate	section 6C (as applied by section 989)”
“savings additional rate	section 7A (as applied by section 989)”

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“savings basic rate	section 7A (as applied by section 989)”
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“savings higher rate	section 7A (as applied by section 989)”
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- (23) In sections 4(4) and (5) and 4BA(1) of TCGA 1992 (rate of capital gains tax depends on individual’s liability to higher rates of income tax), after “at the higher rate” insert “, the default higher rate, the savings higher rate”.
- (24) Subject to any provision made by virtue of subsection (25)(b), the amendments made by this section come into force on the day appointed by the Treasury under section 13(14) of the Scotland Act 2016 and have effect—
- (a) for the tax year appointed by the Treasury under section 13(15) of the Scotland Act 2016, and
  - (b) for subsequent tax years.
- (25) The Treasury may by regulations make—
- (a) such consequential provision as they consider appropriate in connection with any preceding provision of this section;
  - (b) such transitional or saving provision as they consider appropriate in connection with the coming into force of any provision of the preceding subsections of this section.
- (26) Regulations under this section may amend, repeal or revoke an enactment, whenever passed or made (including this Act).
- (27) Regulations under this section must be made by statutory instrument.
- (28) A statutory instrument containing regulations under this section which includes provision amending or repealing a provision of an Act may not be made unless a draft of the instrument has been laid before and approved by a resolution of the House of Commons.
- (29) Any other statutory instrument containing regulations under this section, if made without a draft having been approved by a resolution of the House of Commons, is subject to annulment in pursuance of a resolution of the House of Commons.
- (30) In subsection (26) “enactment” includes an enactment contained in subordinate legislation (within the meaning of the Interpretation Act 1978).