

1987 No. 434

INCOME TAX

The Income Tax (Indexation) Order 1987

Made - - - - 17th March 1987

The Treasury, in pursuance of section 24(9) of the Finance Act 1980(a), hereby makes the following Order:

1. This Order may be cited as the Income Tax (Indexation) Order 1987.

2.—(1) The amounts which, unless Parliament otherwise determines, will be treated by virtue of section 24 of the Finance Act 1980 as specified for the year 1987–88 in section 32 of the Finance Act 1971 (b) and section 8 of the Income and Corporation Taxes Act 1970 (c) are as follows.

- (2) In section 32 of the said Act of 1971 (basic rate limit and higher rate bands)—
- (a) the basic rate limit £17,900;
 - (b) the higher rate bands—

| <i>Band</i> | <i>Part of total income in excess of basic rate limit</i> |
|--------------|---|
| First | The first £3,200 |
| Second | The next £5,400 |
| Third | The next £8,200 |
| Fourth | The next £8,200 |
| Fifth | The remainder. |

- (3) In section 8 of the said Act of 1970 (personal allowances)—
- (a) subsection (1)(a) (married) £3,795;
 - (b) subsection (1)(b) and (2) (single and wife's earned income relief) £2,425;
 - (c) subsection (1A)(a) and (b) (age allowance) £4,675 and £2,960;
 - (d) subsection (1B) (income limit for age allowance) £9,800.

*Tim Sainsbury
Michael Neubert*

17th March 1987

Two of the Lords Commissioners of Her Majesty's Treasury

(a) 1980 c.48; section 24 was amended by the Finance Act 1984 (c.43), section 17(2) and Schedules 7 and 23 (Pt. VI).
 (b) 1971 c.68; section 32 was amended by section 24(2) of the Finance Act 1980 (c.48) and by the Finance Act 1984, section 17(2) and Schedules 7 and 23 (Pt. VI). (c) 1970 c.10; section 8 was amended by section 31(1) of the Finance (No. 2) Act 1975 (c.45).

EXPLANATORY NOTE

(This note is not part of the Order)

Section 24 of the Finance Act 1980 provides that the Treasury shall by order made by statutory instrument before 6th April 1987 specify the amounts which by virtue of that section shall, unless Parliament otherwise determines, be treated as specified for the year 1987-88. These are the thresholds for the higher rates of tax – the basic rate limit and the higher rate bands (section 32, Finance Act 1971, as amended by section 17 of, and Schedule 7 to, the Finance Act 1984 – abolition of investment income surcharge for 1984-85 and subsequent years of assessment) and the personal allowances (section 8, Income and Corporation Taxes Act 1970). These amounts are increased in accordance with the percentage increase in the retail prices index for December 1986 over that for December 1985. The “retail prices index” is defined in section 24(8) as “the general index of retail prices (for all items) published by the Department of Employment”.

The retail prices index for December 1986 is 393.0 and for December 1985 378.9 (based on January 1974 as 100). (Table 6.4 of the Department of Employment Gazette, February 1987). This Order specifies the amounts which take account of that increase. They will have effect for income tax for the year 1987-88 unless Parliament otherwise determines.

45p net

ISBN 0 11 076434 X