



# Income Tax Act 2007

## 2007 CHAPTER 3

### PART 2

#### BASIC PROVISIONS

### CHAPTER 3

#### CALCULATION OF INCOME TAX LIABILITY

## 23 The calculation of income tax liability

To find the liability of a person (“the taxpayer”) to income tax for a tax year, take the following steps.

### *Step 1*

Identify the amounts of income on which the taxpayer is charged to income tax for the tax year.

The sum of those amounts is “total income”.

Each of those amounts is a “component” of total income.

### *Step 2*

Deduct from the components the amount of any relief under a provision listed in relation to the taxpayer in section 24 to which the taxpayer is entitled for the tax year.

See section 25 for further provision about the deduction of those reliefs.

The sum of the amounts of the components left after this step is “net income”.

### *Step 3*

Deduct from the amounts of the components left after Step 2 any allowances to which the taxpayer is entitled for the tax year under Chapter 2 of Part 3 of this Act or section 257 or 265 of ICTA (individuals: personal allowance and blind person’s allowance).

See section 25 for further provision about the deduction of those allowances.

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**Status:** *This is the original version (as it was originally enacted).*

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*Step 4*

Calculate tax at each applicable rate on the amounts of the components left after Step 3.

See Chapter 2 of this Part for the rates at which income tax is charged and the income charged at particular rates.

If the taxpayer is a trustee, see also Chapters 3 to 6 and 10 of Part 9 (special rules about settlements and trustees) for further provision about the income charged at particular rates.

*Step 5*

Add together the amounts of tax calculated at Step 4.

*Step 6*

Deduct from the amount of tax calculated at Step 5 any tax reductions to which the taxpayer is entitled for the tax year under a provision listed in relation to the taxpayer in section 26.

See sections 27 to 29 for further provision about the deduction of those tax reductions.

*Step 7*

Add to the amount of tax left after Step 6 any amounts of tax for which the taxpayer is liable for the tax year under any provision listed in relation to the taxpayer in section 30.

The result is the taxpayer's liability to income tax for the tax year.