

FINANCE ACT 2012

EXPLANATORY NOTES

INTRODUCTION

Section 2: Basic Rate Limit for 2012-13

Summary

1. This section sets the amount of the basic rate limit for income tax at £34,370 for 2012-13.

Details of the Section

2. Subsection (1) replaces the existing amount of the basic rate limit in section 10(5) of the Income Tax Act 2007 (£35,000) with £34,370 for 2012-13.
3. Subsection (2) disapplies the indexation provisions for the basic rate limit for 2012-13.

Background Note

4. An individual's taxable income is charged to tax at the basic rate of tax up to the basic rate limit.
5. The basic rate limit is subject to indexation (an annual increase based upon the percentage increase to the retail prices index). Parliament can over-ride indexed amounts by a provision in the Finance Act.
6. The table below sets out the amount of the basic rate limit for 2011-12, the indexed amount for 2012-13 and the amount specified by this section for 2012-13:

<i>2011-12</i>	<i>2012-13 indexed</i>	<i>2012-13 by this section</i>
£35,000	£37,000	£34,370

7. The effect of this section is to over-ride the indexed amount for the basic rate limit. This section is part of a package of measures, together with a further section in this Act that sets the personal allowance for those aged under 65 in an amount above indexation.