

FINANCE ACT 2013

EXPLANATORY NOTES

INTRODUCTION

Section 3: Basic Rate Limit for 2013-14

Summary

1. [Section 3](#) sets the amount of the basic rate limit for income tax at £32,010 for 2013-14.

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 (£34,370) with £32,010 for 2013-14.
3. Subsection (2) disapplies the indexation provisions for the basic rate limit at section 21 Income Tax Act 2007 as far as it applies to section 10(5), for 2013-14.

Background

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 the indexed amounts by a provision in the Finance Act.
6. Autumn statement 2012 announced that the basic rate limit will be set at £32,010 for 2013-14. This supersedes the corresponding amount announced at Budget 2012.
7. The table below sets out the amount of the basic rate limit for 2012-13, the indexed amount for 2013-14, and the amount specified by this section for 2013-14.

<i>2012-13</i>	<i>2013-14 indexed</i>	<i>2013-14 by this section</i>
£34,370	£35,300	£32,010

8. The effect of this section is to override the indexed amount for the basic rate limit. This section is part of a package of measures, together with a further section that sets the personal allowance for 2013-14 for those born after 5 April 1948 by an amount above indexation.