Finance Act 2014

2014 CHAPTER 26

PART 1

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 2

INCOME TAX: GENERAL

Exemptions and reliefs

11 Tax relief for married couples and civil partners

(1) ITA 2007 is amended as set out in subsections (2) to (8).

(2) After section 55 insert—

"CHAPTER 3A

TRANSFERABLE TAX ALLOWANCE FOR MARRIED COUPLES AND CIVIL PARTNERS

Introduction

55A Tax reduction under Chapter

(1) This Chapter contains provisions about the entitlement of a spouse or civil partner to a tax reduction in a case where the other party to the marriage or civil partnership has elected for a reduced personal allowance.

(2) A tax reduction under this Chapter is given effect at Step 6 of the calculation in section 23.

Changes to legislation: *Finance Act 2014, Section 11 is up to date with all changes known to be in force on or before 12 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

(3) For the effect of section 809B (claim for remittance basis to apply) applying to an individual for a tax year, see section 809G (no entitlement to tax reduction).

Tax reduction

55B Tax reduction: entitlement

(1) An individual is entitled to a tax reduction for a tax year of the appropriate percentage of the transferable amount if the conditions in subsection (2) are met.

(2) The conditions are that—
- (a) the individual is married to, or in a civil partnership with, a person who makes an election under section 55C for the purposes of this section which is in force for the tax year ("the individual's spouse or civil partner"),
- (b) the individual is not, for the tax year, liable to tax at a rate other than the basic rate, the dividend ordinary rate or the starting rate for savings,
- (c) the individual meets the requirements of section 56 (residence) for the tax year, and
- (d) neither the individual nor the individual's spouse or civil partner makes a claim for the tax year under section 45 (married couple's allowance: marriages before 5 December 2005) or section 46 (married couple's allowance: marriages and civil partnerships on or after 5 December 2005).

(3) "The appropriate percentage" is the basic rate at which the individual would be charged to income tax for the tax year to which the reduction relates.

(4) "The transferable amount"—
- (a) for the tax year 2015-16, is £1,050, and
- (b) for the tax year 2016-17 and subsequent tax years, is 10% of the amount of personal allowance specified in section 35(1) for the tax year to which the reduction relates.

(5) If the transferable amount calculated in accordance with subsection (4)(b) would otherwise not be a multiple of £10, it is to be rounded up to the nearest amount which is a multiple of £10.

(6) If an individual is entitled to a tax reduction under subsection (1), the personal allowance to which the individual's spouse or civil partner is entitled under section 35 or 37 is reduced for the tax year by the transferable amount.

(7) If an individual who is entitled to a tax reduction for a tax year under subsection (1) dies during that tax year, subsection (6) is to be ignored (but this does not affect the individual's entitlement to the tax reduction).

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Election to reduce personal allowance

55C Election to reduce personal allowance

(1) An individual may make an election for the purposes of section 55B if—

(a) the individual is married to, or in a civil partnership with, the same person—

(i) for the whole or part of the tax year concerned, and

(ii) when the election is made,

(b) the individual is entitled to a personal allowance under section 35 or 37 for that tax year,

(c) assuming the individual's personal allowance was reduced as set out in section 55B(6), the individual would not for that year be liable to tax at a rate other than the basic rate, the dividend ordinary rate or the starting rate for savings, and

(d) where the individual meets the requirements of section 56 (residence) for the tax year by reason of meeting the condition in subsection (3) of that section, the individual meets the condition in subsection (2) of this section.

(2) The condition is that the individual's hypothetical net income for the tax year concerned is less than the amount of the personal allowance to which the individual is entitled for that tax year under section 35 or 37.

(3) For the purposes of subsection (2), an individual's "hypothetical net income" is the amount that would be that individual's net income calculated at Step 2 of section 23 if that individual's income tax liability were calculated on the basis that the individual—

(a) was UK resident for the tax year concerned (and the year was not a split year),

(b) was domiciled in the United Kingdom for that tax year,

(c) in that tax year, did not fall to be regarded as resident in a country outside the United Kingdom for the purposes of double taxation arrangements having effect at the time, and

(d) for that tax year, had made a claim for any available relief under section 6 of TIOPA 2010 (as required by subsection (6) of that section).

(4) An individual's hypothetical net income for a tax year is, to the extent that it is not sterling, to be calculated by reference to the average exchange rate for the year ending on 31 March in the tax year concerned.

55D Procedure for elections under section 55C

(1) An election under section 55C is to be made not more than 4 years after the end of the tax year to which it relates.

(2) If the conditions in paragraphs (a) to (d) of section 55C(1) continue to be met, an election continues in force in each subsequent tax year unless—

(a) subsection (3) applies,

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(b) the election is withdrawn, or

(c) it ceases to have effect under subsection (5).

(3) Where an election is made after the end of the tax year to which it relates, the election has effect for the tax year to which it relates only (and accordingly does not continue in force for subsequent tax years under subsection (2)).

(4) An election may be withdrawn only by a notice given by the individual by whom the election was made.

(5) If an individual's spouse or civil partner does not obtain a tax reduction under section 55B in respect of a tax year in which an election is in force the election ceases to have effect for subsequent tax years; but this does not prevent an individual making a further election for the purposes of section 55B(2)(a) (whether or not in relation to the same marriage or civil partnership).

(6) The withdrawal of an election under subsection (4) does not, except in the cases dealt with by subsection (7), have effect until the tax year after the one in which the notice is given.

(7) The withdrawal of an election under subsection (4) has effect for the tax year in which the notice is given if—

(a) in a case where the individual concerned met the condition in section 55C(1)(a) by reason of being married, the marriage has come to an end in that tax year, or

(b) in a case where the individual concerned met the condition in section 55C(1)(a) by reason of being in a civil partnership, the civil partnership has come to an end in that tax year.

(8) For the purposes of subsection (7)(a), a marriage comes to an end if any of the following is made in respect of it—

(a) a decree absolute of divorce, a decree of nullity of marriage or a decree of judicial separation, or

(b) in Scotland, a decree of divorce, a declarator of nullity or a decree of separation.

(9) For the purposes of subsection (7)(b), a civil partnership comes to an end if any of the following is made in respect of it—

(a) a dissolution order or nullity order, which has been made final,

(b) a separation order, or

(c) in Scotland, a decree of dissolution, a declarator of nullity or a decree of separation.

(10) A notice under subsection (4) must—

(a) be given to an officer of Revenue and Customs, and

(b) must be in the form specified by the Commissioners for Her Majesty's Revenue and Customs.

(11) Paragraph 3(1)(b) of Schedule 1A to TMA 1970 (amendment of claims and elections) does not apply to an election under section 55C.

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Supplementary

55E Limitation on number of tax reductions and elections

(1) An individual is not entitled to more than one tax reduction under section 55B for a tax year (regardless of whether the individual is a party to more than one marriage or civil partnership in the tax year).

(2) An individual is not entitled to have more than one election for the purposes of section 55B which operates for a tax year (regardless of whether the individual is a party to more than one marriage or civil partnership in the tax year).”

(3) In section 26 (tax reductions), in subsection (1)(a), after the entry relating to Chapter 3 of Part 3 insert— “ Chapter 3A of Part 3 of this Act (transferable tax allowance for married couples and civil partners), ”.

(4) In section 31 (total income: supplementary), in subsection (2), after “basic” insert “ rate ”.

(5) In section 33 (overview of Part)—

(a) in subsection (3), after “partners” insert “ where a party to the marriage or civil partnership is born before 6 April 1935 ”,

(b) after that subsection insert—

“(3A) Chapter 3A provides for a transferable tax allowance for married couples and civil partners.”,

(c) in subsection (4), in the opening words, for “and 3” substitute “ , 3 and 3A ”,

(d) in subsection (4)(a), after “Chapter 3” insert “ or 3A ”, and

(e) in subsection (4)(b), for “those allowances and tax reductions” substitute “ the allowances under Chapter 2 and tax reductions under Chapter 3 ”.

(6) In the heading for Chapter 3 of Part 3 after “PARTNERS” insert “ : PERSONS BORN BEFORE 6 APRIL 1935 ”.

(7) In section 56 (residence), in subsection (1)(b), after “Chapter 3” insert “ or 3A ”.

(8) In section 809G (claim for remittance basis: effect on allowances), in subsection (2)—

(a) omit the “or” following paragraph (b), and

(b) after paragraph (b) insert—

“(ba) any tax reduction under Chapter 3A of that Part (transferable tax allowance for married couples and civil partners), or”.

(9) TMA 1970 is amended as set out in subsections (10) and (11).

(10) In section 42 (procedure for making claims)—

(a) in subsection (10), after “above” insert “ and subject to subsection (10A) below ”, and

(b) after subsection (10) insert—

“(10A) Subsection (2) above does not apply in relation to an election under section 55C of ITA 2007 (election to transfer allowance to spouse or civil partner).”

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(11) In section 43A (further assessments: claims etc), in subsection (2A) after paragraph (a) insert—

"(aa) section 55C of ITA 2007 (election to transfer allowance to spouse or civil partner),".

(12) The amendments made by this section have effect for the tax year 2015-16 and subsequent tax years.

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:
Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- Sch. 31 para. 2(3)(b) inserted by 2017 c. 32 Sch. 14 para. 45(2)(a)(iii)
- Sch. 31 para. 2(4A) inserted by 2017 c. 32 Sch. 14 para. 45(2)(c)
- Sch. 31 para. 3(1A) inserted by 2017 c. 32 Sch. 14 para. 45(3)(b)
- Sch. 31 para. 5(b) inserted by 2017 c. 32 Sch. 14 para. 45(4)(c)
- Sch. 31 para. 2(3)(a) words inserted by 2017 c. 32 Sch. 14 para. 45(2)(a)(ii)
- Sch. 31 para. 5(a) words inserted by 2017 c. 32 Sch. 14 para. 45(4)(b)
- Sch. 31 para. 2(3)(a) words renumbered as Sch. 31 para. 2(3)(a) by 2017 c. 32 Sch. 14 para. 45(2)(a)(i)
- Sch. 31 para. 5(a) words renumbered as Sch. 31 para. 5(a) by 2017 c. 32 Sch. 14 para. 45(4)(a)
- Sch. 32 para. 1(2)(b) inserted by 2017 c. 32 Sch. 14 para. 46(2)(a)(iii)
- Sch. 32 para. 1(3A) inserted by 2017 c. 32 Sch. 14 para. 46(2)(c)
- Sch. 32 para. 1(2)(a) words inserted by 2017 c. 32 Sch. 14 para. 46(2)(a)(ii)
- Sch. 32 para. 1(2)(a) words renumbered as Sch. 32 para. 1(2)(a) by 2017 c. 32 Sch. 14 para. 46(2)(a)(i)