



Finance Act 2016

2016 CHAPTER 24

PART 1

INCOME TAX

Rate structure

4 Savings allowance, and savings nil rate etc

- (1) ITA 2007 is amended in accordance with subsections (2) to (12).
- (2) In section 6(3)(a) (other rates: savings), after “starting rate for savings” insert “ and savings nil rate ”.
- (3) In section 7 (starting rate for savings)—
 - (a) the existing text becomes subsection (1),
 - (b) after that subsection insert—

“(2) The savings nil rate is 0%.”, and
 - (c) in the heading, after “starting rate for savings” insert “ and savings nil rate ”.
- (4) In section 10(4) (provisions displacing charge at basic, higher and additional rates), before the entry relating to section 13 insert— “ section 12A (savings income charged at the savings nil rate), ”.
- (5) After section 12 insert—

“12A Savings income charged at the savings nil rate

- (1) This section applies in relation to an individual if—
 - (a) the amount of the individual's Step 3 income is greater than £L, where £L is the amount of the starting rate limit for savings, and
 - (b) when the individual's Step 3 income is split into two parts—

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- (i) one (“the individual's income up to the starting rate for savings”) consisting of the lowest £L of the individual's Step 3 income, and
- (ii) the other (“the individual's income above the starting rate limit for savings”) consisting of the rest of the individual's Step 3 income,

some or all of the individual's income above the starting rate limit for savings consists of savings income (whether or not some or all of the individual's income up to the starting rate limit for savings consists of savings income).

- (2) In this section—

£A is the amount of the individual's savings allowance (see section 12B),
 “the excess” is so much of the individual's income above the starting rate limit for savings as consists of savings income, and
 £X is the amount of the excess.

- (3) If £X is less than or equal to £A, income tax is charged at the savings nil rate (rather than the basic, higher or additional rate) on the excess.
- (4) If £X is more than £A, income tax is charged at the savings nil rate (rather than the basic, higher or additional rate) on the lowest £A of the excess.
- (5) Subsections (3) and (4) are subject to any provisions of the Income Tax Acts (apart from section 10) which provide for income to be charged at different rates of income tax in some circumstances.
- (6) Section 16 has effect for determining the extent to which the individual's income above the starting rate limit for savings consists of savings income.
- (7) For the purposes of this section, an individual's “Step 3 income” is the individual's net income less allowances deducted at Step 3 of the calculation in section 23.

12B Individual's entitlement to a savings allowance

- (1) Subsections (2) to (4) determine the amount of an individual's savings allowance for a tax year.
- (2) If any of the individual's income for the year is additional-rate income, the individual's savings allowance for the year is nil.
- (3) If—
 - (a) any of the individual's income for the year is higher-rate income, and
 - (b) none of the individual's income for the year is additional-rate income,
 the individual's savings allowance for the year is £500.
- (4) If none of the individual's income for the year is higher-rate income, the individual's savings allowance for the year is £1,000.
- (5) The Treasury may by regulations substitute a different amount for the amount for the time being specified in subsection (2), (3) or (4); and regulations under this subsection that have effect for a tax year may be made at any time before the end of that tax year.

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- (6) If regulations under subsection (5) reduce any amount, the regulations may not be made unless a draft of the instrument containing them (whether alone or together with regulations under subsection (5) which increase any amount) has been laid before, and approved by a resolution of, the House of Commons.
- (7) Section 1014(4) (negative procedure) does not apply to regulations under subsection (5) which increase any amount if—
 - (a) the instrument containing them also contains regulations under subsection (5) which reduce any amount, and
 - (b) a draft of the instrument has been laid before, and approved by a resolution of, the House of Commons.
- (8) For the purposes of this section—
 - (a) each of the following is “additional-rate income”—
 - (i) income on which income tax is charged at the additional rate or dividend additional rate,
 - (ii) income on which income tax would be charged at the additional rate but for section 12A (income charged at savings nil rate),
 - (iii) income on which income tax would be charged at the dividend additional rate but for section 13A (income charged at dividend nil rate), and
 - (iv) income of an individual who is a Scottish taxpayer or Welsh taxpayer which would, if the individual were not a Scottish taxpayer or Welsh taxpayer (as the case may be), be income on which income tax is charged at the additional rate, and
 - (b) each of the following is “higher-rate income”—
 - (i) income on which income tax is charged at the higher rate or dividend upper rate,
 - (ii) income on which income tax would be charged at the higher rate but for section 12A (income charged at savings nil rate),
 - (iii) income on which income tax would be charged at the dividend upper rate but for section 13A (income charged at dividend nil rate), and
 - (iv) income of an individual who is a Scottish taxpayer or Welsh taxpayer which would, if the individual were not a Scottish taxpayer or Welsh taxpayer (as the case may be), be income on which income tax is charged at the higher rate.”
- (6) In section 16(1) (purposes of rules about highest part of income), before the “and” at the end of paragraph (a) insert—
 - “(aa) the extent to which a person's income above the starting rate limit for savings consists of savings income,”.
- (7) In section 17 (repayment where tax paid at basic rate instead of starting rate for savings)—
 - (a) after subsection (1) insert—
 - “(1A) This section also applies if income tax at a rate greater than the savings nil rate has been paid on income on which income tax is chargeable at the savings nil rate.”, and

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- (b) in the heading—
 - (i) for “basic” substitute “ greater ”, and
 - (ii) after “savings” insert “ or savings nil rate ”.
- (8) In sections 55B(2)(b) and 55C(1)(c) (individual liable to tax only at certain rates), after “dividend ordinary rate” insert “ , the savings nil rate ”.
- (9) In section 745(1) (transfer of assets abroad: same rate of tax not to be charged twice), after “the starting rate for savings” insert “ when that rate is more than 0%, ”.
- (10) In section 828B(5) (individual liable to tax only at certain rates), after “basic rate” insert “ , the savings nil rate ”.
- (11) In section 989 (definitions for the purposes of the Income Tax Acts)—
 - (a) at the appropriate places insert—
 - ““savings allowance” has the meaning given by section 12B,”, and
 - ““savings nil rate” means the rate of income tax specified in section 7(2),” and
 - (b) in the entry for “starting rate of savings”, for “has the meaning given by section 7” substitute “ means the rate of income tax specified in section 7(1) ”.
- (12) In Schedule 4 (index of defined expressions), at the appropriate places insert—

“savings allowance	section 12B”, and
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“savings nil rate	section 7”
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- (13) In section 669(3) of ITTOIA 2005 (preventing charge to both income and inheritance tax: meaning of “extra liability”), for paragraphs (a) and (b) substitute—
 - “(a) income charged at the additional rate or the higher rate were charged at the basic rate, and
 - (b) income charged at the dividend additional rate or the dividend upper rate were charged at the dividend ordinary rate.”
- (14) In consequence of the amendment made by subsection (13)—
 - (a) in Schedule 1 to ITA 2007 omit paragraph 561,
 - (b) in Schedule 1 to FA 2008 omit paragraph 59, and
 - (c) in Schedule 2 to FA 2009 omit paragraph 21.
- (15) In section 7(6) of TMA 1970 (cases where person not required to give notice of being chargeable to income tax), after “dividend ordinary rate” insert “ , the savings nil rate ”.
- (16) In section 91(3)(c) of TMA 1970 (interest adjustments where reliefs given: when to ignore relief from higher rates on income paid subject to deduction of tax) after “basic rate” insert “ , the savings nil rate ”.
- (17) Subject to subsection (18), the amendments made by this section have effect for the tax year 2016-17 and subsequent tax years.
- (18) The amendments in section 669 of ITTOIA 2005, and the repeals made by subsection (14), have effect where the tax year mentioned in section 669(1)(b) of ITTOIA 2005 is the tax year 2016-17 or a later tax year.

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- (19) The Treasury may, by regulations made by statutory instrument, make such provision amending, repealing or revoking any provision made by or under the Taxes Acts as the Treasury considers appropriate in consequence of the amendments made by this section; and regulations under this subsection that have effect for the tax year 2016-17 may be made at any time before the end of that tax year.
- (20) In subsection (19) “the Taxes Acts” means—
- (a) the Tax Acts,
 - (b) TMA 1970, and
 - (c) TCGA 1992 and all other enactments relating to capital gains tax.
- (21) A statutory instrument containing regulations under subsection (19) is subject to annulment in pursuance of a resolution of the House of Commons.

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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. 19 para. 12(5)(b) inserted by [2017 c. 32 Sch. 14 para. 49\(2\)\(c\)](#)
- Sch. 19 para. 12(5)(a) word inserted by [2017 c. 32 Sch. 14 para. 49\(2\)\(b\)](#)
- Sch. 19 para. 51(8)(b) words inserted by [2017 c. 32 Sch. 14 para. 48\(2\)](#)
- Sch. 19 para. 53(1) words inserted by [2017 c. 32 Sch. 14 para. 48\(4\)\(a\)](#)
- Sch. 19 para. 53(1) words inserted by [2017 c. 32 Sch. 14 para. 48\(4\)\(b\)](#)
- Sch. 19 para. 12(5)(a) words renumbered as Sch. 19 para. 12(5)(a) by [2017 c. 32 Sch. 14 para. 49\(2\)\(a\)](#)
- Sch. 19 para. 58(1) words substituted by [2017 c. 32 Sch. 14 para. 48\(5\)](#)
- Sch. 20 para. 1(4)(e) inserted by [2021 c. 26 Sch. 27 para. 47\(2\)](#)
- Sch. 20 para. 3(3)(d) and word inserted by [2021 c. 26 Sch. 27 para. 47\(3\)\(b\)](#)
- Sch. 20 para. 5(5) inserted by [2021 c. 26 Sch. 27 para. 47\(5\)](#)
- Sch. 22 para. 2(4B) inserted by [2021 c. 26 Sch. 27 para. 48\(2\)\(c\)](#)
- Sch. 22 para. 3(4A) inserted by [2021 c. 26 Sch. 27 para. 48\(3\)](#)