

1988 No. 503

INCOME TAX

The Income Tax (Indexation) Order 1988

Made - - - - *15th March 1988*

The Treasury, in pursuance of section 24(9) of the Finance Act 1980(a), hereby make the following Order:

1. This Order may be cited as the Income Tax (Indexation) Order 1988.

2.—(1) The amounts which, unless Parliament otherwise determines, will be treated by virtue of section 24(4) and (5) of the Finance Act 1980(b) as specified for the year 1988-89 in section 32 of the Finance Act 1971(c) and section 8 of the Income and Corporation Taxes Act 1970(d) are set out in paragraphs (2) and (3).

(2) In section 32 of the Finance Act 1971(e) (basic rate limit and higher rate bands)—

(a) the basic rate limit—£18,600, and

(b) the higher rate bands—

<i>Band</i>	<i>Part of total income in excess of basic rate limit</i>
First	The first £2,600
Second	The next £5,200
Third	The next £8,200
Fourth	The next £8,200
Fifth	The remainder.

(a) 1980 c.48. (b) By virtue of the Income and Corporation Taxes Act 1988 (c.1), Schedule 30, paragraph 21(3) in relation to tax for the year 1988-89 the references to section 24(4) and (5) are to be construed as references to sections 1(4) and 257(9) respectively of that Act. (c) 1971 c.68; relevant amendments were made to subsection (1) by the Finance Act 1980 (c.48), section 24(2) and by the Finance Act 1984 (c.43), section 17(2) and Schedule 7, paragraph 1; subsection (1D) was inserted by the Finance Act 1978 (c.42), section 14(2) and was amended by the Finance Act 1980, section 122 and Schedule 20, Part V; and subsections (3) and (4) were repealed by the Finance Act 1984, sections 17(2) and 128(6), Schedule 7, paragraph 3(2), and Schedule 23, Part VI. (d) 1970 c.10; relevant amendments were made to subsections (1) and (2) by the Finance Act 1971, section 37(1) and Schedule 6, paragraph 5; subsections (1A) and (1B) were inserted by the Finance (No.2) Act 1975 (c.45), section 31(1) and subsection (1A) was amended by the Finance Act 1977 (c.36), section 22(1)(c); subsection (2) was further amended by the Finance (No.2) Act 1979 (c.47), section 12(1) and Schedule 2, paragraph 1, by the Finance Act 1981 (c.35), sections 27(9) and 139(6), Schedule 19, Part VI, and by the Finance Act 1987 (c.16), section 27(1), subsection 2(b)(ii) was repealed by the Finance Act 1982 (c.39), sections 30(2) and 157(6), Schedule 22, Part IV; and subsection (3) was amended by the Finance Act 1970 (c.24), section 14(1)(a). (e) By virtue of the Income and Corporation Taxes Act 1988, Schedule 30, paragraph 21(3) in relation to tax for the year 1988-89 the reference to section 32 shall be construed as a reference to section 1(2)(a) and (b) of that Act. The section has effect subject to section 26 of the Finance Act 1987 (c.16).

(3) In section 8 of the Income and Corporation Taxes Act 1970(a) (personal allowances) in—

- (a) subsection (1)(a)—
 - (i) (married)—£3,945,
 - (ii) (married—eighty or upwards)—£5,025;
- (b) subsection (1)(b)—
 - (i) (single)—£2,515,
 - (ii) (single—eighty or upwards)—£3,190;
- (c) subsection (1A)(a) (married—sixty-five or upwards)—£4,855;
- (d) subsection (1A)(b) (single—sixty-five or upwards)—£3,070;
- (e) subsection (1B) (income limit for the purposes of sub-paragraphs (a)(ii), (b)(ii), (c) and (d))—£10,200;
- (f) subsection (2) (earned income of wife)—£2,515.

Tony Durant
David Lightbown

15th March 1988

Two of the Lords Commissioners of Her Majesty's Treasury

EXPLANATORY NOTE

(This note is not part of the Order)

Section 24(4) and (5) of the Finance Act 1980 provide that the Treasury shall by order made by statutory instrument before 6th April 1988 specify the amounts which by virtue of that section shall, unless Parliament otherwise determines, be treated as specified for the year 1988–89. These are the thresholds for the higher rates of tax—the basic rate limit and the higher rate bands (section 32, Finance Act 1971), and the personal allowances (section 8, Income and Corporation Taxes Act 1970) respectively. These amounts are increased in accordance with the percentage increase (3.7%) in the retail prices index for December 1987 over that for December 1986. Certain of the amounts have been rounded to the nearest £100 in accordance with section 24(4) and (5)(a) and, in the case of the other amounts, the increases have been rounded to the nearest £10 in accordance with section 24(5)(b).

The “retail prices index” is defined in section 24(8) as the “general index of retail prices (for all items) published by the Department of Employment”. The retail prices index for December 1986 is 393.0 (based on January 1974 as 100) and for December 1987 103.3 (based on January 1987 as 100). (Table 6.4 on pages S56 and S57 of the February 1988 number of the *Employment Gazette*, the official journal of the Department of Employment. The retail prices index for January 1987 is 394.5 (based on January 1974 as 100) and the percentage increase is calculated thus:

$$\left(\frac{103.3 \times 394.5}{393}\right) - 100.$$

This Order specifies amounts which take account of the percentage increase.

(a) By virtue of the Income and Corporation Taxes Act 1988, Schedule 30, paragraph 21(3) in relation to tax for the year 1988–89 the references below to subsections of section 8 are to be construed as references to sections of that Act as follows: subsection (1)(a) (married)—section 257(1)(a), (married—eighty or upwards)—section 257(3)(a); subsection (1)(b) (single)—section 257(1)(b), (single—eighty or upwards)—section 257(3)(b); subsection (1A)(a)—section 257(2)(a); subsection (1A)(b)—section 257(2)(b); subsection (1B)—section 257(5); and subsection (2)—section 257(6).