

Tax Rate Changes

Income Tax Rates and Allowances

Allowances and Reliefs

	2012/13	2011/12
Allowed at top rate of tax		
Personal Allowance	£8,105	£7,475
Personal Allowance (65 – 74)*	10,500	9,940
Personal Allowance (75 and over)*	10,660	10,090
Blind Person's Allowance	2,100	1,980
Allowed only at 10%		
Married Couple's Allowance (75 and over)*+	7,705	7,295
Income limit for age-related allowances	25,400	24,000

+only available if born before 6th April 1935

*Age allowances are reduced £1 for every £2 by which income exceeds the income limit, until the age allowance is reduced to the normal allowance. Personal allowance is reduced before married couple's allowance. MCA is reduced to a minimum of £2,960 (2011/12: £2,800).

Personal allowances will be withdrawn at £1 for every £2 by which total income exceeds £100,000.

There will therefore be no allowances if income is £116,210 or more (2011/12: £114,950).

Bands	2012/13	2011/12
Starting (within basic rate band)*	£2,710	£2,560
Basic	34,370	35,000
Higher	34,371-150,000	35,001-150,000
Additional	over 150,000	over 150,000

* There is a 10% starting rate for savings income only. If general taxable income exceeds the starting rate limit, the 10% rate is not available for savings income.

Rates differ for General, Savings and Dividend income within each band:

Rates	2012/13 and 2011/12		
	G	S	D
Starting	N/A	10%	10%
Basic	20%	20%	10%
Higher	40%	40%	32.5%
Additional	50%	50%	42.5%

General income (salary, pensions, profit, rent) uses starting, basic and higher rate bands before savings income (interest). Dividends are taxed as the 'top slice' of income.

National Insurance Contributions

Rates and limits for 2012/13

Class 1	Weekly	Monthly	Yearly
Lower Earnings Limit (LEL)	£107	£464	£5,564
Primary Threshold – employees (PT)	146	634	7,605
Secondary Threshold – employers (ST)	144	624	7,488
Upper Accrual Point (UAP)	770	3,337	40,040
Upper Earnings Limit – employees (UEL)	817	3,540	42,475

Employer's Contribution	Contracted In	Contracted Out
On earnings up to ST	Nil	Nil
On earnings between ST and UAP	13.8%	10.4%
On earnings above UAP	13.8%	13.8%

Up to 5 April 2012, money purchase schemes could contract out and enjoy a rebate of 1.4% on employer contributions between ST and UEL. From 6 April 2012, contracting out is no longer permitted using money purchase or personal pension schemes. The contracted out rates shown above relate only to final salary schemes.

Employee's Contribution

Contracted in: 12% on earnings between PT and UEL, 2% above UEL.

Contracted out: 10.6% on earnings between PT and UAP; 12% from UAP to UEL; 2% above UEL.

Earnings over LEL qualify for benefit, and must be reported under PAYE, but no NICs are payable until earnings reach PT.

The reduced Class 1 rate payable by certain married women and widows is 5.85% for earnings between PT and UEL, 2% above UEL.

Class 2 (Self-employed)	Earnings over £5,595 per year	£2.65 per week
Class 3 (Voluntary)	No limit applicable	£13.25 per week
Class 4 (Self-employed)	Profits between £7,605 and £42,475	9%
	Profits above £42,475	2%

Working and Child Tax Credit

Rates and thresholds

	2012/13	2011/12
Working Tax Credit		
Basic Element	£1,920	£1,920
Couple and lone parent element	1,950	1,950
30 hour element	790	790
Disabled worker element	2,790	2,650
Severe disability element	1,190	1,130
50 plus element, 16 - 29 hours	Nil	1,365
50 plus element, 30+ hours	Nil	2,030
Childcare element		
maximum eligible cost for one child	£175 per week	£175 per week
maximum eligible cost for two or more children	£300 per week	£300 per week
<i>per cent of eligible costs covered</i>	70%	70%
Child Tax Credit		
Family element	£545	£545
Child element	2,690	2,555
Disabled child element	2,950	2,800
Severely disabled child element	1,190	1,130
Income thresholds and withdrawal rates		
First income threshold	£6,420	£6,420
<i>First withdrawal rate (per cent)</i>	41%	41%
Second income threshold	Nil	40,000
<i>Second withdrawal rates (per cent)</i>	N/A	41%
First threshold for those entitled to Child Tax Credit only	15,860	15,860
Income rise disregard	10,000	10,000
Income fall disregard	2,500	Nil

Tax Efficient Investments

Annual limits

	2012/13	2011/12
Individual Savings Accounts (ISA)		
Overall limit	£11,280	£10,680
of which cash	5,640	5,340
of which stocks & shares	11,280	10,680
Junior ISA	3,600	3,600
Child Trust Fund*	3,600	3,600
Enterprise Investment Scheme	1,000,000	500,000
Venture Capital Trust	200,000	200,000
Registered Pension Schemes**	50,000	50,000

* originally set at £1,200 for 2011/12 but increased by announcement on 1/11/11.

** or 100% of earnings; in some circumstances unused relief of the previous 3 years can justify current contributions.

Child Benefit

	2012/13	2011/12
First child rate	£20.30	£20.30
Rate for additional children	13.40	13.40