



Finance Act 1988

1988 CHAPTER 39

PART III

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER I

GENERAL

Tax rates and personal reliefs

23 Charge and basic rate of income tax for 1988-89

Income tax shall be charged for the year 1988-89, and the basic rate of tax shall be 25 per cent.

24 Higher and additional rates of income tax

- (1) The rate at which income tax is charged for the year 1988-89 in respect of so much of an individual's total income as exceeds £19,300 shall be 40 per cent.
- (2) In accordance with subsection (1) above, section 1 of the Taxes Act 1988 shall be amended as follows—
 - (a) for paragraph (b) of subsection (2) there shall be substituted—
 - “(b) in respect of so much of an individual's total income as exceeds £19,300, at such higher rate as Parliament may determine”;
 - (b) in subsection (3) the words “and the” onwards shall cease to have effect;
 - (c) in subsection (4) for the words “each of the amounts” there shall be substituted the words “the amount”;
 - (d) in subsection (6) for the word “amounts” there shall be substituted the word “amount”;

Status: This is the original version (as it was originally enacted).

and section 1(4) (indexation) shall not apply for the year 1988-89.

- (3) In section 694 of the Taxes Act 1988 (which imposes a charge on trustees of maintenance funds for historic buildings in certain circumstances), in subsection (2), the words “at the rate of 30 per cent.” shall cease to have effect; and after that subsection there shall be inserted—

“(2A) The rate at which tax is charged under this section shall be equivalent to the higher rate of income tax for the year of assessment during which the charge arises, reduced by the sum of the basic and additional rates for that year.”

- (4) In section 832(1) of the Taxes Act 1988, in the definition of “additional rate”, for the words “income tax for” onwards there shall be substituted the words “any year of assessment for which income tax is charged, means 10 per cent. or such other rate as Parliament may determine”.

25 Personal reliefs

- (1) In section 257 of the Taxes Act 1988 (personal reliefs)—
- (a) in subsection (1)(a) (married allowance) for “£3,795” there shall be substituted “£4,095”;
 - (b) in subsections (1)(b) (single allowance) and (6) (wife’s earned income relief) for “£2,425” there shall be substituted “£2,605”;
 - (c) in subsection (2)(a) (married allowance: age 65 to 79) for “£4,675” there shall be substituted “£5,035”;
 - (d) in subsection (2)(b) (single allowance: age 65 to 79) for “£2,960” there shall be substituted “£3,180”;
 - (e) in subsection (3)(a) (married allowance: age 80 and over) for “£4,845” there shall be substituted “£5,205”;
 - (f) in subsection (3)(b) (single allowance: age 80 and over) for “£3,070” there shall be substituted “£3,310”;
 - (g) in subsection (5) (income limit for age allowance) for “£9,800” there shall be substituted “£10,600”.
- (2) Section 257(9) of that Act (indexation) shall not apply for the year 1988-89.
- (3) Sections 258, 263 and 264 of that Act (housekeeper allowance, dependent relative allowance and son’s or daughter’s services allowance) shall not have effect for the year 1988-89 or any subsequent year of assessment.

26 Charge and rate of corporation tax for financial year 1988

Corporation tax shall be charged for the financial year 1988 at the rate of 35 per cent.

27 Corporation tax: small companies

- (1) For the financial year 1988 the small companies rate shall be 25 per cent.
- (2) For the financial year 1988 the fraction mentioned in section 13(2) of the Taxes Act 1988, and in section 95(2) of the Finance Act 1972, (marginal relief for small companies) shall be one fortieth.

28 Deduction rate for sub-contractors in construction industry

Section 559(4) of the Taxes Act 1988 (which requires deductions to be made from payments to certain sub-contractors in the construction industry) shall have effect in relation to payments made on or after 31st October 1988 with the substitution for the words “27 per cent.” of the words “25 per cent.”.

29 Life assurance premium relief

(1) In sections 266(5)(a) and 274(3)(a) of the Taxes Act 1988, and in paragraph 3(3)(a) of Schedule 14 to that Act, (rate of relief on premiums on life policies etc.) for the words “15 per cent.” wherever they occur there shall be substituted the words “12.5 per cent.”.

(2) This section shall have effect on and after 6th April 1989.

30 Additional relief in respect of children

(1) In section 259 of the Taxes Act 1988 (additional relief in respect of children), in subsection (2), for the words “and (4)” there shall be substituted the words “to (4A)”; and after subsection (4) there shall be inserted—

“(4A) Where—

(a) a man and a woman who are not married to each other live together as husband and wife for the whole or any part of a year of assessment, and

(b) apart from this subsection each of them would on making a claim be entitled to a deduction under subsection (2) above,

neither of them shall be entitled to such a deduction except in respect of the youngest of the children concerned (that is to say, the children in respect of whom either would otherwise be entitled to a deduction).”

(2) This section shall apply for the year 1989-90 and subsequent years of assessment.

31 Non-residents' personal reliefs

(1) For the year 1990-91 and subsequent years of assessment section 278 of the Taxes Act 1988 (which with certain exceptions denies relief under Chapter I of Part VII to non-residents) shall have effect with the following amendments.

(2) In subsection (2)(e) (exception for widows of Crown servants) after the word “husband” there shall be inserted the words “, or a widower whose late wife,”.

(3) After subsection (2) there shall be inserted—

“(2A) Notwithstanding subsection (2) above, no relief shall be given under section 257D in a case where the husband is not resident in the United Kingdom.”

(4) Subsections (3) to (7) shall be omitted.