



# Income Tax Act 2007

## 2007 CHAPTER 3

### PART 3

#### PERSONAL RELIEFS

#### CHAPTER 1

##### INTRODUCTION

### **33 Overview of Part**

- (1) This Part provides for personal reliefs.
- (2) Chapter 2 provides for entitlement to a personal allowance and a blind person's allowance.
- (3) Chapter 3 provides for tax reductions for married couples and civil partners.
- (4) Chapter 4 contains provision applicable for the purposes of Chapters 2 and 3, in particular—
  - (a) requirements about residence etc of claimants to allowances under Chapter 2 or tax reductions under Chapter 3, and
  - (b) indexation of the amounts of those allowances and tax reductions.

## CHAPTER 2

### PERSONAL ALLOWANCE AND BLIND PERSON'S ALLOWANCE

#### *Introduction*

#### **34 Allowances under Chapter**

- (1) In this Chapter—
- (a) sections 35, 36 and 37 deal with entitlement to a personal allowance,
  - (b) section 38 deals with entitlement to a blind person's allowance, and
  - (c) section 39 deals with the transfer of part of a blind person's allowance to a spouse or civil partner.
- (2) An allowance under this Chapter is given effect at Step 3 of the calculation in section 23.

#### *Personal allowances*

#### **35 Personal allowance for those aged under 65**

An individual who makes a claim is entitled to a personal allowance of £5,035 for a tax year if the individual—

- (a) is under the age of 65 throughout the tax year, and
- (b) meets the requirements of section 56 (residence etc).

#### **36 Personal allowance for those aged 65 to 74**

- (1) An individual who makes a claim is entitled to a personal allowance of £7,280 for a tax year if the individual—
- (a) is 65 or over at some time in the tax year, but under 75 throughout the tax year, and
  - (b) meets the requirements of section 56 (residence etc).
- (2) For an individual whose adjusted net income for the tax year exceeds £20,100, the allowance under subsection (1)—
- (a) is reduced by half the excess, but
  - (b) is not reduced below the amount of a personal allowance under section 35.
- (3) For the meaning of “adjusted net income” see section 58.

#### **37 Personal allowance for those aged 75 and over**

- (1) An individual who makes a claim is entitled to a personal allowance of £7,420 for a tax year if the individual—
- (a) is 75 or over at some time in the tax year, and
  - (b) meets the requirements of section 56 (residence etc).
- (2) For an individual whose adjusted net income for the tax year exceeds £20,100, the allowance under subsection (1)—

- (a) is reduced by half the excess, but
  - (b) is not reduced below the amount of a personal allowance under section 35.
- (3) For the meaning of “adjusted net income” see section 58.

### *Blind person's allowance*

## **38 Blind person's allowance**

- (1) An individual who makes a claim is entitled to a blind person's allowance of £1,660 for a tax year if the individual—
- (a) meets the first or second condition for the whole or part of the tax year, and
  - (b) meets the requirements of section 56 (residence etc).
- (2) The first condition is that the individual is registered as a blind person in a register kept under section 29 of the National Assistance Act 1948 (c. 29) (registers kept by local authorities in England and Wales).
- (3) The second condition is that—
- (a) the individual is ordinarily resident in Scotland or Northern Ireland, and
  - (b) because of the individual's blindness, the individual is unable to do any work for which eyesight is essential.
- (4) If an individual who is entitled to a blind person's allowance for a particular tax year—
- (a) became registered as a blind person in a register kept under section 29 of the National Assistance Act 1948 in the tax year, but
  - (b) obtained the evidence of blindness on the basis of which the registration was made in the preceding tax year,
- the individual is treated as having met the first condition for the whole of the preceding tax year.

## **39 Transfer of part of blind person's allowance to a spouse or civil partner**

- (1) This section applies to an individual who is entitled to a blind person's allowance under section 38 for a tax year if—
- (a) the individual is a person whose spouse or civil partner is living with the individual for the whole or any part of the tax year, and
  - (b) the spouse or civil partner meets the requirements of section 56 (residence etc).
- (2) If—
- (a) the allowance exceeds the individual's remaining relievable income,
  - (b) the individual makes an election, and
  - (c) the individual's spouse or civil partner makes a claim,
- the individual's spouse or civil partner is entitled to an allowance for the tax year equal to the amount of the excess.
- (3) The individual's remaining relievable income is the amount found by—
- (a) taking the amount of the individual's net income, and
  - (b) subtracting any personal allowance to which the individual is entitled for the tax year.

#### **40 Election for transfer of allowance under section 39**

- (1) An election under section 39—
  - (a) must be made on or before the fifth anniversary of the normal self-assessment filing date for the tax year to which it relates, and
  - (b) cannot be withdrawn.
- (2) If an individual makes an election for a tax year under section 39 the individual is treated as also giving notice under section 51(4) that section 51(1) (tax reductions for married couples and civil partners: transfer of unused relief) is to apply for the tax year.

#### *Supplementary*

#### **41 Allowances in year of death**

- (1) Any allowance to which an individual is entitled under this Chapter for any tax year, including the tax year in which the individual dies, is given in full.
- (2) If an individual was due to reach the age of 65 in a tax year, but dies in the tax year before reaching that age, the individual is treated for the purposes of section 36 as having reached the age of 65 in the tax year.
- (3) If an individual was due to reach the age of 75 in a tax year, but dies in the tax year before reaching that age, the individual is treated for the purposes of sections 36 and 37 as having reached the age of 75 in the tax year.

### **CHAPTER 3**

#### TAX REDUCTIONS FOR MARRIED COUPLES AND CIVIL PARTNERS

#### *Introduction*

#### **42 Tax reductions under Chapter**

- (1) This Chapter contains provisions about entitlement to tax reductions in a case where a party to a marriage or civil partnership was born before 6 April 1935.
- (2) Individuals are entitled to tax reductions under the following provisions of this Chapter—
  - (a) section 45 (marriages before 5 December 2005),
  - (b) section 46 (marriages and civil partnerships on or after 5 December 2005),
  - (c) section 47 (election by individual to transfer relief under section 45 or 46),
  - (d) section 48 (joint election to transfer relief under section 45 or 46),
  - (e) section 49 (election for partial transfer back of relief),
  - (f) section 51 (transfer of unused relief), and
  - (g) section 52 (transfer back of unused relief).
- (3) The tax reductions under sections 45 to 49 are subject to section 54 (tax reductions in the year of marriage or entry into civil partnership).

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

#### **43 Meaning of “the minimum amount”**

In this Chapter “the minimum amount” means £2,350.

#### **44 Election for new rules to apply**

- (1) In this Chapter “an election for the new rules to apply” means an election made by a husband and wife who got married before 5 December 2005 for the new rules to apply to them instead of the old rules.

- (2) In subsection (1)—

“the new rules” means the rules for relief under section 46 (marriages and civil partnerships on or after 5 December 2005), and

“the old rules” means the rules for relief under section 45 (marriages before 5 December 2005).

- (3) An election for the new rules to apply—

- (a) must be made jointly by the parties to the marriage,
- (b) must be made before the first tax year for which it is to be in force,
- (c) continues in force in each subsequent tax year, and
- (d) cannot be withdrawn.

#### *Married couple’s allowance*

#### **45 Marriages before 5 December 2005**

- (1) If a man—

- (a) makes a claim for a tax year, and
- (b) meets the conditions set out in subsection (2),

he is entitled to a tax reduction for the tax year of 10% of the amount specified in subsection (3)(a) or (b) (as applicable).

- (2) The conditions are that—

- (a) for the whole or part of the tax year he is married and his wife is living with him,
- (b) the marriage took place before 5 December 2005 and no election for the new rules to apply is in force for the tax year,
- (c) he or his wife was born before 6 April 1935, and
- (d) he meets the requirements of section 56 (residence etc).

- (3) The amount is—

- (a) £6,135, if either the man or his wife is aged 75 or over at some time in the tax year, and
- (b) £6,065, in any other case.

- (4) For a man whose adjusted net income for the tax year exceeds £20,100, the amounts specified in subsection (3) are reduced by—

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- (a) half the excess, less
  - (b) any reduction in his personal allowance under section 36(2) or 37(2).
- (5) But subsection (4) does not reduce the amounts specified in subsection (3) below the minimum amount.
- (6) For the meaning of “adjusted net income” see section 58.

#### **46 Marriages and civil partnerships on or after 5 December 2005**

- (1) If an individual—
- (a) makes a claim for a tax year, and
  - (b) meets the conditions set out in subsection (2),
- the individual is entitled to a tax reduction for the tax year of 10% of the amount specified in subsection (3)(a) or (b) (as applicable).
- (2) The conditions are that—
- (a) for the whole or part of the tax year the individual is married or in a civil partnership and is living with the spouse or civil partner,
  - (b) the marriage took place, or the civil partnership was formed, on or after 5 December 2005 or, if the marriage took place before that date, an election for the new rules to apply is in force for the tax year,
  - (c) the individual, or the spouse or civil partner, was born before 6 April 1935,
  - (d) the individual meets the requirements of section 56 (residence etc), and
  - (e) the individual’s net income for the tax year exceeds that of the spouse or civil partner or, if they have the same amount of net income for the tax year, the individual is specified in an election as the person to be entitled to relief under this section for the year.
- (3) The amount is—
- (a) £6,135, if either the individual, or the spouse or civil partner, is aged 75 or over at some time in the tax year, and
  - (b) £6,065, in any other case.
- (4) For an individual whose adjusted net income for the tax year exceeds £20,100, the amounts specified in subsection (3) are reduced by—
- (a) half the excess, less
  - (b) any reduction in the individual’s personal allowance under section 36(2) or 37(2).
- (5) But subsection (4) does not reduce the amounts specified in subsection (3) below the minimum amount.
- (6) An election under subsection (2)(e)—
- (a) is to be made jointly by the parties to the marriage or civil partnership, and
  - (b) is to be made on or before the fifth anniversary of the normal self-assessment filing date for the tax year to which the election relates.
- (7) For the meaning of “adjusted net income” see section 58.

### *Elections to transfer relief*

#### **47 Election by individual to transfer relief under section 45 or 46**

- (1) If—
  - (a) an individual’s spouse or civil partner is entitled to a tax reduction under section 45 or 46 for a tax year, and
  - (b) the individual meets the conditions set out in subsection (2),the individual is entitled to a tax reduction for that tax year of 10% of half the minimum amount.
- (2) The conditions are that the individual—
  - (a) has made an election which is in force for the tax year,
  - (b) makes a claim, and
  - (c) meets the requirements of section 56 (residence etc).
- (3) If an individual is entitled to a tax reduction under subsection (1), the tax reduction to which the individual’s spouse or civil partner is entitled under section 45 or 46 is calculated for the tax year as if the appropriate amount were reduced by half the minimum amount.
- (4) In subsection (3) “the appropriate amount” means—
  - (a) if the individual’s spouse is entitled to a tax reduction under section 45, the amount specified in section 45(3)(a) or (b) (as applicable), after any reductions under section 45(4) and 54(2), or
  - (b) if the individual’s spouse or civil partner is entitled to a tax reduction under section 46, the amount specified in section 46(3)(a) or (b) (as applicable), after any reductions under sections 46(4) and 54(2).

#### **48 Joint election to transfer relief under section 45 or 46**

- (1) If—
  - (a) an individual’s spouse or civil partner is entitled to a tax reduction under section 45 or 46 for a tax year, and
  - (b) the conditions set out in subsection (2) are met,the individual is entitled to a tax reduction for that tax year of 10% of the minimum amount.
- (2) The conditions are that—
  - (a) the individual and the individual’s spouse or civil partner have made a joint election which is in force for the tax year,
  - (b) the individual makes a claim, and
  - (c) the individual meets the requirements of section 56 (residence etc).
- (3) If an individual is entitled to a tax reduction under subsection (1), the tax reduction to which the individual’s spouse or civil partner is entitled under section 45 or 46 is calculated for the tax year as if the appropriate amount were reduced by the minimum amount.
- (4) In subsection (3) “the appropriate amount” means—

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- (a) if the individual's spouse is entitled to a tax reduction under section 45, the amount specified in section 45(3)(a) or (b) (as applicable), after any reductions under section 45(4) and 54(2), or
- (b) if the individual's spouse or civil partner is entitled to a tax reduction under section 46, the amount specified in section 46(3)(a) or (b) (as applicable), after any reductions under sections 46(4) and 54(2).

#### **49 Election for partial transfer back of relief**

- (1) If an individual whose spouse or civil partner is entitled under section 48(1) to a tax reduction for a tax year—
  - (a) has made an election which is in force for the tax year, and
  - (b) makes a claim,the individual is entitled to a tax reduction for that tax year of 10% of half the minimum amount (in addition to any tax reduction to which the individual is entitled under section 45 or 46).
- (2) The amount of the tax reduction to which the individual's spouse or civil partner is entitled under section 48(1) for that tax year is 10% of half the minimum amount (instead of 10% of the minimum amount).

#### **50 Procedure for making and withdrawing elections under sections 47 to 49**

- (1) This section applies to elections under sections 47 to 49.
- (2) An election—
  - (a) must, except in the cases dealt with by subsection (3), be made before the first tax year in which it is to be in force, and
  - (b) continues in force in each subsequent tax year until it is withdrawn.
- (3) An election—
  - (a) may be made in the first tax year in which it is to be in force if that is the tax year in which the marriage takes place or the civil partnership is formed, and
  - (b) may be made in the first 30 days of the first tax year in which it is to be in force if appropriate notice is given before the tax year.
- (4) In subsection (3), “appropriate notice” means notice given to an officer of Revenue and Customs by the individual or (in the case of a joint election) individuals concerned that it is intended to make the election.
- (5) An election may be withdrawn only by—
  - (a) a notice given by the individual or individuals by whom the election was made, or
  - (b) a subsequent election under section 47, 48 or 49.
- (6) If an election is withdrawn under subsection (5)(a), the withdrawal does not have effect until the tax year after the one in which the notice is given.
- (7) A notice under subsection (5)(a)—
  - (a) must 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.



### *Transfer of unused relief*

#### **51 Transfer of unused relief**

- (1) If—
- (a) an individual’s spouse or civil partner is entitled to a tax reduction under section 45 or 46 for a tax year,
  - (b) the spouse or civil partner’s MCA tax reductions are greater than the spouse or civil partner’s comparable tax liability, and
  - (c) the conditions set out in subsection (4) are met,
- the individual is entitled to a tax reduction for that tax year equal to the unused part of the spouse or civil partner’s MCA tax reductions.
- (2) The spouse or civil partner’s MCA tax reductions are the sum of—
- (a) the tax reduction to which the spouse or civil partner is entitled under section 45 or 46, and
  - (b) any tax reduction under section 49 to which the spouse or civil partner is entitled for the tax year.
- (3) The unused part of the spouse or civil partner’s MCA tax reductions is equal to—
- (a) the spouse or civil partner’s MCA tax reductions, less
  - (b) the spouse or civil partner’s comparable tax liability.
- (4) The conditions are that—
- (a) the spouse or civil partner gives notice to an officer of Revenue and Customs that subsection (1) is to apply for the tax year,
  - (b) the individual makes a claim, and
  - (c) the individual meets the requirements of section 56 (residence etc).
- (5) The tax reduction to which the individual is entitled under subsection (1) is in addition to any tax reduction to which the individual is entitled under section 47 or 48.
- (6) The meaning of “comparable tax liability” is given in section 53.

#### **52 Transfer back of unused relief**

- (1) If—
- (a) an individual’s spouse or civil partner is entitled to a tax reduction under section 47 or 48 for a tax year,
  - (b) the tax reduction is greater than the spouse or civil partner’s comparable tax liability, and
  - (c) the conditions set out in subsection (3) are met,
- the individual is entitled to a tax reduction for that tax year equal to the unused part of the spouse or civil partner’s tax reduction.
- (2) The unused part of the spouse or civil partner’s tax reduction is equal to—
- (a) the tax reduction to which the spouse or civil partner is entitled, less
  - (b) the spouse or civil partner’s comparable tax liability.
- (3) The conditions are that—
- (a) the spouse or civil partner gives notice to an officer of Revenue and Customs that subsection (1) is to apply for the tax year, and

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- (b) the individual makes a claim.
- (4) The tax reduction to which the individual is entitled under subsection (1) is in addition to any tax reduction to which the individual is entitled under section 45, 46 or 49.
- (5) The meaning of “comparable tax liability” is given in section 53.

### **53 Transfer of unused relief: general**

- (1) For the purposes of sections 51 and 52, the comparable tax liability of an individual is the amount of the individual’s tax left after Step 6 of the calculation in section 23 for the tax year, making that calculation with the modifications set out in subsections (2) and (3).
- (2) In making that calculation, do not deduct any tax reduction under—
  - (a) section 788 of ICTA (double taxation arrangements: relief by agreement), or
  - (b) section 790(1) of ICTA (relief for foreign tax where there are no double taxation arrangements).
- (3) If the individual’s entitlement to a tax reduction under this Chapter is extinguished under section 423(4) (gift aid: restriction of reliefs) to any extent, deduct from the amount calculated in accordance with subsections (1) and (2) the amount by which the tax reduction is reduced.
- (4) A notice under section 51 or 52—
  - (a) must be given on or before the fifth anniversary of the normal self-assessment filing date for the tax year to which it relates,
  - (b) must be in the form specified by the Commissioners for Her Majesty’s Revenue and Customs, and
  - (c) cannot be withdrawn.
- (5) For the purposes of this section a person is treated as being entitled to a tax reduction under section 788 of ICTA if the person is entitled to credit against income tax under double taxation arrangements.

### *Supplementary*

### **54 Tax reductions in the year of marriage or entry into civil partnership**

- (1) Subsection (2) applies if an individual—
  - (a) gets married or enters into a civil partnership in a tax year, and
  - (b) claims a tax reduction under section 45 or 46 for that tax year.
- (2) In calculating the amount of the tax reduction (if any) to which the individual is entitled under that section, the amounts specified in section 45(3) or 46(3) (as applicable) are reduced by one twelfth for each month of the tax year which is a month ending before the date on which—
  - (a) the marriage took place, or
  - (b) the civil partnership was formed.
- (3) The reference in subsection (2) to the amounts specified in section 45(3) or 46(3) is to those amounts after any reduction under section 45(4) or 46(4).

- (4) But if—
- (a) the individual has previously been married or in a civil partnership in the same tax year, and
  - (b) the conditions in section 45(2) or 46(2) are met in relation to the earlier marriage or civil partnership,
- subsection (2) applies only if the claim is in respect of the later marriage or civil partnership.
- (5) If a claim under section 47, 48 or 49 is for the tax year in which the marriage takes place, or the civil partnership is formed, the references in those sections to the minimum amount are to be read as references to the minimum amount reduced by one twelfth for each month of the tax year which is a month ending before the date on which—
- (a) the marriage took place, or
  - (b) the civil partnership was formed.
- (6) In this section, “month” means a period beginning with the sixth day of a calendar month and ending with the fifth day of the next calendar month.

## **55 Sections 45 to 53: supplementary**

- (1) An individual is not entitled to more than one tax reduction under sections 45 to 48 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) For the purposes of sections 45 and 46 an individual is treated as having reached the age of 75 in a tax year if the individual was due to reach the age of 75 in the tax year, but dies in the tax year before reaching that age.
- (3) Unless this Chapter provides otherwise, a tax reduction to which an individual is entitled under this Chapter for a tax year, including the tax year in which the individual dies, is given in full.

## **CHAPTER 4**

### **GENERAL**

## **56 Residence etc of claimants**

- (1) This section applies in relation to an individual who claims—
  - (a) an allowance under Chapter 2 (personal allowance and blind person’s allowance) for a tax year, or
  - (b) a tax reduction under Chapter 3 (tax reductions for married couples and civil partners) for a tax year.
- (2) The individual meets the requirements of this section if the individual—
  - (a) is UK resident for the tax year, or
  - (b) meets the condition in subsection (3).
- (3) An individual meets the condition in this subsection if, at any time in the tax year, the individual—

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- (a) is resident in the Isle of Man or the Channel Islands,
- (b) has previously resided in the United Kingdom and is resident abroad for the sake of the health of—
  - (i) the individual, or
  - (ii) a member of the individual’s family who is resident with the individual,
- (c) is a person who is or has been employed in the service of the Crown,
- (d) is employed in the service of any territory under Her Majesty’s protection,
- (e) is employed in the service of a missionary society, or
- (f) is a person whose late spouse or late civil partner was employed in the service of the Crown.

## 57 Indexation of allowances

- (1) This section provides for increases in the amounts specified in—
  - (a) section 35 (personal allowance for those aged under 65),
  - (b) section 36(1) (personal allowance for those aged 65 to 74),
  - (c) section 37(1) (personal allowance for those aged 75 and over),
  - (d) section 38(1) (blind person’s allowance),
  - (e) section 43 (tax reductions for married couples and civil partners: the minimum amount),
  - (f) section 45(3)(a) and (b) (marriages before 5 December 2005),
  - (g) section 46(3)(a) and (b) (marriages and civil partnerships on or after 5 December 2005), and
  - (h) sections 36(2), 37(2), 45(4) and 46(4) (adjusted net income limit).
- (2) It applies if the retail prices index for the September before the start of a tax year is higher than it was for the previous September.
- (3) For the tax year—
  - (a) the allowances specified in sections 35, 36(1), 37(1), 38(1),
  - (b) the amounts specified in sections 45(3)(a) and (b) and 46(3)(a) and (b), and
  - (c) the minimum amount specified in section 43,

are found as follows.

### *Step 1*

Multiply the allowance, amount or (as the case may be) the minimum amount for the previous tax year by the same percentage as the percentage increase in the retail prices index.

### *Step 2*

If the result of Step 1 is a multiple of £10, it is the increase for the tax year.

If the result of Step 1 is not a multiple of £10, round it up to the nearest amount which is a multiple of £10.

That amount is the increase for the tax year.

### *Step 3*

Add the increase for the tax year to the allowance, amount or (as the case may be) the minimum amount for the previous tax year.

The result is the allowance, amount or (as the case may be) the minimum amount for the tax year.

- (4) For the tax year, the adjusted net income limits specified in sections 36(2), 37(2), 45(4) and 46(4) are found as follows.

*Step 1*

Increase the adjusted net income limit for the previous tax year by the same percentage as the percentage increase in the retail prices index.

*Step 2*

If the result of Step 1 is a multiple of £100, it is the adjusted net income limit for the tax year.

If the result of Step 1 is not a multiple of £100, round it up to the nearest amount which is a multiple of £100.

That amount is the adjusted net income limit for the tax year.

- (5) Subsections (1) to (4) do not require a change to be made in the amounts deductible or repayable under PAYE regulations during the period beginning on 6 April and ending on 17 May in the tax year.
- (6) Before the start of the tax year the Treasury must make an order replacing the amounts specified in the provisions listed in subsection (1) with the amounts which, as a result of this section, are the allowances, amounts, the minimum amount and the adjusted net income limits for the tax year.

## **58 Meaning of “adjusted net income”**

- (1) For the purposes of Chapters 2 and 3, an individual’s adjusted net income for a tax year is calculated as follows.

*Step 1*

Take the amount of the individual’s net income for the tax year.

*Step 2*

If in the tax year the individual makes, or is treated under section 426 as making, a gift that is a qualifying donation for the purposes of Chapter 2 of Part 8 (gift aid) deduct the grossed up amount of the gift.

*Step 3*

If the individual is given relief in accordance with section 192 of FA 2004 (relief at source) in respect of any contribution paid in the tax year under a pension scheme, deduct the gross amount of the contribution.

*Step 4*

Add back any relief under section 457 or 458 (payments to trade unions or police organisations) that was deducted in calculating the individual’s net income for the tax year.

The result is the individual’s adjusted net income for the tax year.

- (2) The grossed up amount of a gift is the amount of the gift grossed up by reference to the basic rate for the tax year.
- (3) The gross amount of a contribution is the amount of the contribution before deduction of tax under section 192(1) of FA 2004.