
Changes to legislation: Finance Act 2008, SCHEDULE 1 is up to date with all changes known to be in force on or before 28 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

SCHEDULES

SCHEDULE 1

Section 5

ABOLITION OF STARTING AND SAVINGS RATES AND CREATION OF STARTING RATE FOR SAVINGS

PART 1

AMENDMENTS OF ITA 2007

1 ITA 2007 is amended as follows.

2 For section 7 (savings rate) substitute—

“7 The starting rate for savings

The starting rate for savings is 10%.”

3 (1) Section 10 (income charged at main rates: individuals) is amended as follows.

(2) Omit subsection (1).

(3) For subsection (2) substitute—

“(2) Income tax on an individual's income up to the basic rate limit is charged at the basic rate (except to the extent that, in accordance with section 12, it is charged at the starting rate for savings).”

(4) In subsection (4), omit the entry relating to section 12.

(5) Insert at the end—

“(6) The basic rate limit is increased in some circumstances: see—

(a) section 414(2) (gift aid relief), and

(b) section 192(4) of FA 2004 (relief for pension contributions).

(7) See section 21 for indexation of the basic rate limit.”

(6) Accordingly, in the heading, omit “**starting**”.

4 In section 11(2) (income charged at the basic rate: persons other than individuals), omit the reference to section 12.

5 For section 12 substitute—

“12 Income charged at the starting rate for savings

(1) Income tax is charged at the starting rate for savings (rather than the basic rate) on so much of an individual's income up to the starting rate limit for savings as is savings income.

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- (2) This is subject to any provisions of the Income Tax Acts (apart from section 10) which provide for income of an individual to be charged at different rates of income tax in some circumstances.
- (3) The starting rate limit for savings is £2,320.
- (4) See section 21 for indexation of the starting rate limit for savings.
- (5) Section 16 has effect for determining the extent to which a person's income up to the starting rate limit for savings consists of savings income.”
- 6 In section 13 (income charged at dividend ordinary and dividend upper rates: individuals)—
 - (a) in subsection (1)(b), omit “starting or”, and
 - (b) in subsection (4), omit “starting.”.
- 7 In section 16(1) (savings and dividend income to be treated as highest part of total income), for the words from “the rate” to the end substitute “—
 - (a) the extent to which a person's income up to the starting rate limit for savings consists of savings income, and
 - (b) the rate at which income tax would be charged on a person's dividend income apart from section 13.”
- 8 (1) Section 17 (repayment: tax paid at basic rate instead of starting rate or savings rate) is amended as follows.
 - (2) In subsection (1), for “starting or savings rate” substitute “ starting rate for savings ”.
 - (3) Accordingly, in the heading, for “**starting or savings rate**” substitute “ **starting rate for savings** ”.
- 9 For the heading before section 20 substitute— “ Indexation of basic rate limit and starting rate limit for savings ”.
- 10 Omit section 20 (starting rate limit and basic rate limit).
- 11 (1) Section 21 (indexation of starting and basic rate limits) is amended as follows.
 - (2) Omit subsection (2).
 - (3) After subsection (3) insert—

“(3A) The starting rate limit for savings for the tax year is the amount found as follows.

Step 1

Increase the starting rate limit for savings 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 starting rate limit for savings 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 starting rate limit for savings for the tax year.”

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- (4) In subsection (4), for “(2) and (3)” substitute “ (3) and (3A) ”.
 - (5) In subsection (5)—
 - (a) for “section 20” substitute “ sections 10 and 12 ”,
 - (b) for “(2) and (3)” substitute “ (3) and (3A) ”, and
 - (c) for “starting rate limit and the basic rate limit” substitute “ basic rate limit and starting rate limit for savings ”.
 - (6) Accordingly, in the heading, for “**starting rate limit and the basic rate limit**” substitute “ **basic rate limit and starting rate limit for savings** ”.
- 12 In section 31(2), omit “or savings rate”.
- 13 (1) Section 158 (form and amount of EIS relief) is amended as follows.
- (2) In subsection (2), for “savings rate” substitute “ EIS rate ”.
 - (3) After that subsection insert—
 - “(2A) In this Part “the EIS rate” means 20%.”
- 14 In section 209(3) (withdrawal or reduction of EIS relief: disposal of shares)—
- (a) in the formula, for “S” substitute “ EISR ”, and
 - (b) for the definition of “S” substitute “ EISR is the EIS rate. ”
- 15 In section 210(1)(b) (cases where maximum EIS relief not obtained), for “savings rate for that year” substitute “ EIS rate ”.
- 16 In section 213(2) (withdrawal or reduction of EIS relief: value received by investor)
- (a) in the formula, for “S” substitute “ EISR ”, and
 - (b) for the definition of “S” substitute “ EISR is the EIS rate. ”
- 17 In section 220(1)(b) (cases where maximum EIS relief not obtained), for “savings rate for that year” substitute “ EIS rate ”.
- 18 In section 224(2) (withdrawal or reduction of EIS relief: repayments etc of share capital to other persons)—
- (a) in the formula, for “S” substitute “ EISR ”, and
 - (b) for the definition of “S” substitute “ EISR is the EIS rate. ”
- 19 In section 229(1)(b) (cases where maximum EIS relief not obtained), for “savings rate for that year” substitute “ EIS rate ”.
- 20 In section 414(2) (relief for gifts to charity), for “section 20” substitute “ section 10 ”.
- 21 In section 486(1) (how allowable expenses are to be set against trust rate income), in Step 5, for “savings rate” substitute “ basic rate ”.
- 22 (1) Section 498 (types of income tax for purposes of section 497) is amended as follows.
- (2) In subsection (1), in Type 3A, for “savings rate” substitute “ basic rate ”.
 - (3) In that subsection, in Type 4, omit “or at the savings rate”.
 - (4) In subsection (2A), for “savings rate” substitute “ basic rate ”.

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Textual Amendments

F1 Sch. 1 para. 23 omitted (6.4.2014) by virtue of [The Unauthorised Unit Trusts \(Tax\) Regulations 2013](#) (S.I. 2013/2819), regs. 1(3), **41(b)** (with reg. 32)

24 In section 745(1) (rates of tax applicable to income charged under sections 720 and 727 etc), for “savings rate” substitute “ starting rate for savings ”.

^{F2}25

Textual Amendments

F2 Sch. 1 para. 25 omitted (with effect in accordance with [Sch. 6 para. 28](#) of the amending Act) by virtue of [Finance Act 2016](#) (c. 24), [Sch. 6 para. 25\(b\)](#)

26 In section 874(2) (deduction from payments of yearly interest), for “savings rate” substitute “ basic rate ”.

27 In section 889(4) (deduction from payments in respect of building society securities), for “savings rate” substitute “ basic rate ”.

28 In section 892(2) (deduction from UK public dividends), for “savings rate” substitute “ basic rate ”.

29 In section 901(4) (deduction from annual payments made by other persons), for “the applicable rate (see section 902)” substitute “ the basic rate in force for the tax year in which the payment is made ”.

30 Omit section 902 (meaning of “applicable rate” in section 901).

31 In section 919(2) (manufactured interest on UK securities: payments by UK residents etc), for “savings rate” substitute “ basic rate ”.

32 In section 939(2) (duty to retain bonds where issue treated as payment of interest), for “savings rate” substitute “ basic rate ”.

33 (1) Section 989 (definitions) is amended as follows.

(2) In the definition of “basic rate limit”, for “20(2)” substitute “ 10 ”.

(3) Omit the definition of “savings rate”.

(4) For the definitions of “starting rate” and “starting rate limit” substitute—

““starting rate for savings” has the meaning given by section 7,

“starting rate limit for savings” has the meaning given by section 12,”.

34 In section 1014(5)(b)(i) (orders and regulations not subject to annulment), for “starting rate limit and basic rate limit” substitute “ basic rate limit and starting rate limit for savings ”.

35 In Schedule 1 (consequential amendments), omit paragraphs 85(2), 86, 112, 151, 152, 191, 244, 259, 279, 530, 535(2), 536(3), 537, 538, 564, 565 and 592(47) and (49).

36 (1) Schedule 4 (index of defined expressions) is amended as follows.

(2) After the entry relating to “EIS” insert—

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“EIS rate (in Part 5)	section 158(2A)”.
(3) For the entries relating to “starting rate” and “starting rate limit” substitute—	
“starting rate for savings	section 7
starting rate limit for savings	section 12”.
(4) Omit the entry relating to “savings rate”.	

PART 2

OTHER AMENDMENTS

TMA 1970

- 37TMA 1970 is amended as follows.
- 38In section 7(6) (notice of liability to income tax and capital gains tax), for “, the savings rate or the starting rate” substitute “ or the starting rate for savings ”.
- 39In section 91(3)(c) (effect of interest on reliefs), for “, the savings rate or the starting rate” substitute “ or the starting rate for savings ”.

ICTA

- 40ICTA is amended as follows.
- F341.....

Textual Amendments

F3Sch. 1 para. 42 repealed (1.4.2010) by Corporation Tax Act 2010 (c. 4), s. 1184(1), Sch. 3 Pt. 1 (with Sch. 2)

- F342.....

Textual Amendments

F3Sch. 1 para. 42 repealed (1.4.2010) by Corporation Tax Act 2010 (c. 4), s. 1184(1), Sch. 3 Pt. 1 (with Sch. 2)

- 43In section 552(5)(f)(i) (information: duty of insurers), for “savings rate” substitute “ basic rate ”.
- F444.....

Textual Amendments

F4Sch. 1 para. 44 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), Sch. 3 Pt. 1 (with Sch. 2 Pts. 1, 2)

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- 45 In section 701(3A) (estates of deceased persons in administration), omit—
 (a) “, the savings rate” (in both places),
 (b) “at the savings rate or”, and
 (c) sub-paragraph (ii) of paragraph (b) and the “and” before it.
- 46 Omit section 789(2) (double taxation arrangements made under old law: surtax).

FA 1989

- 47 In section 88(1) of FA 1989 (insurance companies: policy holders' share of profits), for “savings rate” substitute “basic rate”.

TCGA 1992

^{F5}48

Textual Amendments

- F5** [Sch. 1 para. 48](#) repealed (with effect in accordance with Sch. 7 para. 34 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 7 para. 28](#)

FA 1996

- 49 Omit paragraph 21 of Schedule 6 to FA 1996 (which amends section 789(2) of ICTA).

ITTOIA 2005

- 50 ITTOIA 2005 is amended as follows.
- 51 In section 465A(1)(b) (gains from contracts for life insurance etc: amounts for which individuals liable to be treated as highest part of total income), for “savings rate” substitute “basic rate”.
- 52 In section 466(2) (gains from contracts for life insurance etc: personal representatives), for “savings rate” substitute “basic rate”.
- 53 In section 467(7) (gains from contracts for life insurance etc: UK resident trustees), for “savings rate” substitute “basic rate”.
- 54 (1) Section 530 (gains from contracts for life insurance etc: income tax treated as paid) is amended as follows.
- (2) In subsection (1), for “savings rate” substitute “basic rate”.
- (3) Omit subsection (6).
- 55 In section 535(3) (gains from contracts for life insurance etc: top slicing relief)—
 (a) for “SRL” in both places substitute “BRL”, and
 (b) for “savings rate” substitute “basic rate”.
- 56 In section 536(1) (gains from contracts for life insurance etc: top slicing relieved liability-one chargeable event), for “savings rate” substitute “basic rate”.
- 57 In section 537 (gains from contracts for life insurance etc: top slicing relieved liability-two or more chargeable events), for “savings rate” substitute “basic rate”.

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58 In section 539(5) (gains from contracts for life insurance etc: relief for deficiencies)

- (a) omit Step 2,
- (b) in Step 3, for “2” substitute “ 1 ” and omit “other”, and
- (c) in Step 5, omit the sentence relating to Step 2.

F⁶59

Textual Amendments

F6 Sch. 1 para. 59 omitted (with effect in accordance with s. 4(18) of the amending Act) by virtue of Finance Act 2016 (c. 24), s. 4(14)(b)

60 In section 679(3) (income from which basic amounts are treated as paid), omit paragraph (b) (apart from the “and” at the end).

61 In section 680(4) (income treated as bearing income tax), for “savings rate” substitute “ basic rate ”.

62 (1) Section 680A (income treated as savings income or dividend income) is amended as follows.

(2) In subsection (1)—

- (a) for “Subsections (2) and (3) apply” substitute “ Subsection (3) applies ”, and
- (b) omit “the savings rate or”.

(3) Omit subsection (2).

(4) In subsection (3), for the words from the beginning to “it” substitute “ The income ”.

(5) In subsection (4)—

- (a) for “Subsections (5) and (6) apply” substitute “ Subsection (6) applies ”, and
- (b) omit “the savings rate or”.

(6) Omit subsection (5).

(7) In subsection (6), for the words from the beginning to “it” substitute “ The income ”.

(8) Accordingly, in the heading omit “**savings income or**”.

63 (1) Schedule 4 (index of defined expressions) is amended as follows.

(2) For the entry relating to “starting rate” substitute—

“starting rate for savings	section 7 of ITA 2007 (as applied by section 989 of that Act)
starting rate limit for savings	section 12 of ITA 2007 (as applied by section 989 of that Act)”.

(3) Omit the entry relating to “savings rate”.

F(No.2)A 2005

64 In section 7(5) of F(No.2)A 2005 (charge to income tax on social security pension lump sum)—

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- (a) omit paragraph (b), and
- (b) in paragraph (c), for “exceeds the starting rate limit” substitute “ is greater than nil ”.

PART 3

COMMENCEMENT

- 65 Apart from the amendments made by paragraph 11, the amendments made by this Schedule have effect for the tax year 2008-09 and subsequent tax years.

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

- Blanket amendment words substituted by [S.I. 2011/1043 art. 34](#)

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- Sch. 41 para. 6(1A) inserted by [2015 c. 11 Sch. 20 para. 10\(2\)](#)
- Sch. 41 para. 6A(A1)(1) substituted for Sch. 41 para. 6A(1) by [2015 c. 11 Sch. 20 para. 11\(2\)](#)