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## PRACTICE NOTE

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**PN 22/89**

**Date: 18<sup>th</sup> April 1989**

### **Budget 1989 - Income Tax Rates And Allowances**

#### **Main Proposals**

The Minister for the Treasury announced in his annual Budget the following income tax rates and allowances to be effective for the year commencing 6th April 1989:

#### **Rates of Income Tax :-**

Standard Rate 15%

Higher Rate 20%

Non-resident Rate 20%

#### **Personal Allowances:-**

Single £4,000

Married £8,000

Single Parent Addition £2,750

Blind-Person £1,000

Life Assurance relief continues to be available at the rate of 10% of the allowable premiums.

#### **Income Tax Rates**

The standard rate of 15% will apply to individuals only and will be charged on -

- a) the first £ 8,000 of taxable income of a single person;
- b) the first £16,000 of taxable income of a married couple any balance will be charged at the higher rate of 20%.

All other persons such as companies and trusts will be charged at 20% on the whole of their taxable income. In addition, the rate of tax to be applied to non-resident persons will also be 20%.

## **Husband And Wife**

The proposals provide for the first £16,000 of taxable income of a married couple to be charged at the standard rate of 15%. This threshold is made up of £8,000 to the married woman and £8,000 to the married man with any unused balance being fully transferable. This transfer, if applicable, will be carried out automatically by the Income Tax Division when issuing the 1989/90 income tax assessment.

## **I.T.I.P Changes**

The tax deductions for a single person, married man and married woman will in future all be calculated in the same manner using the same tax tables. In addition, the emergency code for a married woman will now be Code SB i.e. tax at 15%. Details of the coding changes have been sent to all employers. Revised tax tables incorporating the new tax threshold will be issued as soon as possible.

## **Concessionary Treatment Of Deductions**

The term deductions refers to interest payments, maintenance payments and certain deeds of covenant. In 1987/88 the basis of relief for such payments was changed from a "preceding year" basis to a "current year" basis. One effect of that change has been that in many cases no income tax relief fell to be given for such payments made in the year ended 5th April 1987.

To compensate those individuals who lost relief solely as a result of that change the Treasury intend to introduce a concession which will enable the Assessor to give tax relief for the unrelieved deductions.

The concession will operate on the basis that one third of the unrelieved amount will be treated as being paid in each of the years 1989/90, 1990/91 and 1991/92. Small amounts up to £100 will be wholly relieved in 1989/90. Where a person ceases to be liable to income tax in either 1989/90 or 1990/91 any remaining adjustment will be made in the year of cessation. Relief will be given automatically and no claim will be required.

It should be remembered that in most cases the remuneration for the year ended 5th April 1987 was not assessed to income tax. The Assessor will therefore be authorised not to grant the concessional relief where he is of the opinion that the remuneration paid in the income tax year 1986/87 was increased to take advantage of this fact.