

PRACTICE NOTE

PN 167/11

Date: 15 February 2011

BUDGET 2011 – INCOME TAX AND NATIONAL INSURANCE PROPOSALS

In her Budget speech today, the Minister for the Treasury, the Hon A Craine MHK, announced various taxation and National Insurance measures.

This Practice Note contains further information regarding the changes.

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1. INCOME TAX ALLOWANCES AND RATES OF TAX

The following rates and allowances will apply for the 2011/12 tax year commencing on 6 April 2011:-

Personal allowances	2011/12	(2010/11)
	£	£
Single person	9,300	(9,300)
Married couple (combined)	18,600	(18,600)
Additional Personal Allowance	6,400	(6,400)
Blind person	2,900	(2,900)
Disabled person	2,900	(2,900)
Co-habiting couple's maximum addition	6,400	(6,400)
Age Allowance	2,020	(2,020)

Income tax rates	2011/12	(2010/11)
Individuals	%	%
Resident	10	(10)
Single: Standard rate on first £10,500	10	(10)
Married couple - jointly assessed: Standard rate on first £21,000	10	(10)
Higher rate on balance	20	(20)
Non-resident:		
Non-resident rate on all income	20	(20)
Companies		
Banking business	10	(10)
Land & property in the Isle of Man	10	(10)
All other income	0	(0)
Other non-corporates	20	(20)

2. NATIONAL INSURANCE CONTRIBUTIONS

The following rates and thresholds will apply for the 2011/12 tax year commencing on 6 April 2011:-

Item (per week unless stated otherwise)	2011/12	(2010/11)
Lower Earnings Limit (LEL)	£102	£97
Upper Earnings Limit (UEL)	£750	£730
Primary Threshold	£115	£110
Secondary Threshold	£115	£110
Prescribed annual equivalent of primary & secondary thresholds	£5,980	£5,715
Class 1 employees' primary rate of NI (between primary threshold and UEL)	11%	11%
Class 1 employees' additional rate of NI (above the UEL)	1%	1%
Class 1 employers' rate of NI (on all earnings above secondary threshold)	12.8%	12.8%
Class 2 rate self-employed	£2.50	£2.40
Class 2 small earnings exception level (annual)	£5,315	£5,075
Class 2 rate for volunteer development workers	£5.10	£4.85
Class 2 rate for share fishermen	£3.15	£3.05
Class 3 voluntary contributions	£12.60	£12.05

Class 4 lower profits limit (annual)	£5,980	£5,715
Class 4 upper profits limit (annual)	£39,000	£37,960
Class 4 rate between the lower & upper limits	8%	8%
Class 4 rate above the upper limit	1%	1%

3. CLASS 4 TAX RELIEF

Tax relief in respect of Class 4 National Insurance Contributions is abolished with effect from the 2011/2012 tax year.

4. PERSONAL ALLOWANCE CREDIT

The PAC is paid to resident individuals who do not fully utilise their single or married couple's personal allowance. The amount of the credit will be increased by 7.7% to £700 in respect of payments made for the tax year commencing 6 April 2010 which are paid after 6 April 2011. The current upper income limit is £9,300.

All amounts and limits are doubled for jointly assessed married couples.

Treasury wishes to take this opportunity to remind people that from the tax year commencing 6 April 2010, individuals who are in full-time education, individuals serving a custodial sentence for the whole of the year and individuals whose spouse has their income tax liability capped, will no longer be eligible to receive a PAC.

5. MORTGAGE AND LOAN INTEREST

The maximum amount of mortgage and loan interest to be granted in an individual's assessment is to be £7,500 for the 2011/2012 tax year. This limit will be doubled for a jointly assessed married couple, regardless of which spouse is responsible for paying the interest.

6. EDUCATIONAL DEEDS OF COVENANT

Tax relief in respect of educational deeds of covenant is restricted to payments made under covenants that have been entered into on or before 5 April 2011 and where the student is in qualifying full time education at that date.

M Couch

Assessor of Income Tax

This Practice Note is intended only as a general guide and must be read in conjunction with the appropriate legislation. It does not have any binding force and does not affect a person's right of appeal on points concerning their own liability to income tax.

Comments and suggestions for improvements of issued Practice Notes and suggestions for future Practice Notes are always welcome.