



PRACTICE NOTE

PN 15/88

Date: 19th April 1988

Budget 1988 - Income Tax Rates

Main Proposal

The Minister for the Treasury announced on Tuesday 19th April 1988 the intention to introduce a standard rate of income tax of 15% and a higher rate of 20%, both to be effective from 6th April 1988. Amending legislation is to be introduced to provide for the two rates.

The standard rate will apply to individuals only and will be charged on the first £6,000 of taxable income. 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 the taxable income. In addition, the rate of tax to be applied to non-resident persons will also be 20%. Revised Tax Tables will be issued as soon as possible to enable the lower standard rate to be applied to I T I P deductions.

Husband And Wife

The proposals provide for the first £6,000 of an individuals taxable income to be charged at the standard rate. For a married couple the limit of £6,000 applies to the joint taxable income; in other words a husband and wife will not be entitled to a limit of £6,000 each.

This presents certain problems in connection with the deduction of I T I P To prevent excess relief at the standard rate being given, employers will be instructed to use the 20% rate (TABLE C) against the whole of the "taxable pay" of a married woman. For the husband, the first £116 of weekly "taxable pay", or £500 if paid monthly, will be charged at the 15% rate (new TABLE D) and any excess at the 20% rate (TABLE C).

EXAMPLE: A husband receives £900 per month and his wife receives £500 per month both receive the basic personal allowances.

Husband		Wife
900	Total Gross Pay	500
300	Proportion of allowances	300

Husband		Wife
£600	Taxable Pay	£200
500 x 15%	Charged	200 x 20%
100 x 20%		
£95	Tax payable	£40

When compared with the tax that would have been payable for 1987/88 on the same level of earnings it represents a reduction of £28 for the husband and £16 for his wife.

The same transferability of the 15% rate band will apply as exists with the personal allowances. The transference will be achieved by making a reduction in the husband's code and an allowance in his wife's code. A written request will be required from both parties together with an estimate of the remuneration to be received in the year. The adjustment will be based on the proportion of the 15% rate being transferred.

EXAMPLE: Both husband and wife agree to share the band equally. This will result in £3,000 at 5% being transferred to his wife giving an increase in her coding allowances of £750 and normally a corresponding reduction in her husband's code.

Subsidiary Employments

Where code O.A. is in force employers are being instructed to operate the 20% tax table (TABLE C) on the whole of the "taxable pay".

Non-Residents

For a non-resident person in receipt of income from a source within the Island the rate of tax to be charged will continue at the 20% rate. For a non-resident seasonal worker the 20% rate will apply to the "taxable pay".