



## Income Tax

Tax rates			2007/08	2006/07
<b>Starting rate band to</b>			£2,230	£2,150
Tax rate			10%	10%
<b>Basic rate band - next</b>			£32,370	£31,150
Non-savings rate	4		22%	22%
Savings rate	4		20%	20%
UK dividend rate	4		10%	10%
<b>Higher rate - taxable income over</b>			£36,600	£33,300
Higher tax rate			40%	40%
UK dividend rate			32.50%	32.50%
<b>Trusts</b>				
For interest in possession trusts on all income, and other trusts on the first £1,000 of income ("standard rate band"):				
Dividend ordinary rate			10%	10%
Savings income			20%	20%
Other Income			22%	22%
Income of other trusts above £1,000 is taxed at the special trust rates:				
Tax rate			40%	40%
UK dividend rate			32.50%	32.50%
<b>Allowances that reduce taxable income</b>				
Personal allowance (PA)	under 65	1	£5,225	£5,035
	65 to 74	1,3	£7,550	£7,280
	75 and over	1,3	£7,690	£7,420
	Blind person's allowance		£1,730	£1,660
<b>Allowances that reduce tax</b>				
Married couple's allowance (MCA)				
Tax reduction	73 to 74	1,2,3	£628.50	£606.50
	75 and over	1,2,3	£636.50	£613.50



<b>The age-related allowances are progressively withdrawn if income exceeds</b>	£20,900	£20,100
Minimum PA	£5,225	£5,035
Minimum MCA tax reduction	£244	£235
<b>Tax Shelters</b>		
	<b>2007/08</b>	<b>2006/07</b>
Enterprise Investment Scheme (EIS) up to	£400,000	£400,000
Venture Capital Trust (VCT) up to	£200,000	£200,000
<b>Golden Handshake</b> max.		
	£30,000	£30,000
<b>Rent a Room</b> - exempt on gross annual rent up to		
	£4,250	£4,250
<b>Construction Industry Scheme deduction Rate:</b>		
<b>Standard (registered)</b>	20%	18%
<b>Higher (not registered)</b>	30%	18%

### Notes

1. Ages are as the end of the tax year. Ages for the MCA relate to the elder of spouse or civil partner.
2. MCA is available only to those couples where at least one spouse or civil partner was born before 6 April 1935.
3. The higher rates of personal allowances are reduced by £1 for each £2 of excess income over £20,900 (2006/07 £20,100) until the basic allowance is reached. Similar limits apply to the married couple's allowance: the loss of tax reduction is 10p for each £2 of excess income until the minimum of £244 (2006/07 £235) is reached. (For couples married before 5 December 2005 or in a civil partnership, only the higher earner's income is taken into account).
4. Where there are several trusts created by the same settler, the "standard rate band" is divided equally between them subject to a minimum of £200 for each trust.