



## Income tax changes

***The income tax picture was improved slightly by the Budget.***

It almost goes without saying now that any Budget or Autumn Statement will include an announcement about an increase in the personal allowance. The 2015 Budget was no exception: Mr Osborne announced (and the Finance Act 2015 legislates for) a £200 increase in the personal allowance in both 2016/17 and 2017/18. This will take the personal allowance up to £11,000. At the same time the basic rate band will increase by £115 in 2016/17 and £400 in 2017/18 to £32,000.

Add the new higher personal allowance to the improved basic rate band and in 2017/18 the starting point for higher rate tax will be £43,000. The Treasury noted that “this is the first above inflation increase in the higher rate threshold for seven years”, but omitted to add that the higher rate threshold was £575 *higher* in 2009/10.

The latest statistics from HMRC show that in 2014/15, almost one in six taxpayers paid 40% or 45% income tax. In 2009/10 the corresponding proportion of 40% taxpayers (there was no additional rate) was just over one in ten. If you needed a reminder of the importance of personal tax planning, rather than relying on manifesto promises and government largesse, look no further.

*The value of tax reliefs depends on your individual circumstances. Tax laws can change. The Financial Conduct Authority does not regulate tax advice.*