STATUTORY INSTRUMENTS

2005 No. 3327

INCOME TAX

The Income Tax (Indexation) (No.2) Order 2005

Made - - - - 5th December 2005

The Treasury, in exercise of the powers conferred upon them by section 257C(3) of the Income and Corporation Taxes Act 1988 (**a**), make the following Order:

Citation

1. This Order may be cited as the Income Tax (Indexation) (No.2) Order 2005.

Amounts of personal allowance, married couple's allowance and blind person's allowance for 2005-6

2.—(1) The amounts, which, unless Parliament otherwise determines, will be treated by virtue of sections 257C(1) and 265(1A) of the Income and Corporation Taxes Act 1988 as specified for the year 2006-7 in sections 257, 257AB(**b**), 257A(**c**) and 265(**d**) of that Act are set out in paragraphs (2) to (4) below.

(2) In section 257 of that Act (personal allowance)—

(a) in subsection (1) (personal allowance) — £5,035;

(b) in subsection (2) (personal allowance — age 65-74) - £7,280;

(c) in subsection (3) (personal allowance — age 75 and over) — £7,420;

(d) in subsection (5) (income limit for age-related allowances) — £20,100.

(3) In section 257A of that Act (married couple's allowance)—

(a) in subsection (2) (married couple's allowance — age 70 to 74 and born before 6th April 1935) — £6,065;

(**a**) 1988 c.1. Sections 257 to 257F were substituted for section 257 by section 33 of the Finance Act 1988 (c.39) with effect from the year 1990-91 and subsequent years of assessment. Section 257C was amended by Part IV of Schedule 19 to the Finance Act 1990 (c.29), and Part III (10) of Schedule 23 to, the Finance Act 1993 (c.34), extended by section 56(2) of the Finance Act 1997 (c.16), amended by section 25(3) of the Finance Act 1999 (c.16) and section 27(b) of the Finance Act 2002 (c.23) and further amended by regulation 55 of the Tax and Civil Partnerships Regulations 2005, S.I. 2005/3229.

(**b**) Section 257AB was inserted by regulation 52 of the Tax and Civil Partnerships Regulations 2005.

(**c**) Sections 257 and 257A as substituted by section 33 of the Finance Act 1988 were amended by section 33 of the Finance Act 1989 (c.26). Section 257 was further amended by paragraph 13 of Schedule 20 and Part V(10) of Schedule 41 to the Finance Act 1996 (c.8) and section 257A was further amended by paragraph 1 of Schedule 8 to, the Finance Act 1994 (c.9) and by paragraph 14 of Schedule 20 to the Finance Act 1996 and was amended and extended by section 31 of the Finance Act 1999.

(**d**) Section 265 was substituted by paragraph 8 of Schedule 3 to the Finance Act 1988 with effect for the year 1990-91 and subsequent years of assessment, and was amended by sections 33(10) and 57(4) of the Finance Act 1989 (c.26), by paragraph 8 of Schedule 5 and Part VII(1) of Schedule 18 to the Finance (No.2) Act 1992 (c.48), by paragraph 3 of Schedule 10, paragraph 6 of Schedule 21 and Part V(10) of Schedule 41 to the Finance Act 1996 (c.8), by section 56 of the Finance Act 1997 (c.16), by Part III(15) of Schedule 20 to the Finance Act 1999 and by paragraph 8 of Schedule 35 to the Finance Act 2004 (c.12) with effect from 6 April 2006.

(b) in subsection (3) (married couple's allowance — age 75 and over) — £6,135;

(c) in subsection (5) (income limit for age-related married couple's allowance) — £ 20,100;

(d) in subsection (5A) (minimum married couple's allowance) — £2,350.

(4) In section 257AB of that Act (married couple's allowance (post 5th December 2005 marriages and civil partnerships))—

(a) in subsection (2)(a) (married couple's allowance — age 75 and over) — £6,135;

(b) in subsection (2)(b) (married couple's allowance — age 70 to 74 and born before 6th April 1935) — £6,065;

(c) in subsection (4) (income limit for age-related allowances) — £20,100;

(d) in subsection (5) (minimum married couple's allowance) — £2,350.

(5) In section 265(1) of that Act (blind person's allowance) — £1,660.

Joan Ryan
Tom Watson

5th December 2005 Two of the Lords Commissioners of Her Majesty's Treasury

EXPLANATORY NOTE

(This note is not part of the Regulations)

Section 257C(3) of the Income and Corporation Taxes Act 1988 ("the Act") operates to provide that the Treasury shall by order made by statutory instrument before 6th April 2006 specify the amounts which by virtue of that section shall, unless Parliament otherwise determines, be treated as specified for the purposes of sections 257 (personal allowances), 257AB (married couple's allowance (post 5th December 2005 marriages and civil partnerships)), 257A (married couples allowances for those born before 6th April 1935) and 265 (blind person's allowance) of the Act for the year of assessment 2006-07.

The relevant amounts for the purposes of sections 257(1),(2),(3) and (5) (personal allowance), section 257(5) (income limit for age-related personal allowances), section 257A (married couple's allowances) and section 265(1) (blind person's allowance) of the Act were specified for the year 2005-6 by the Income Tax (Indexation) (No.2) Order 2004 (S.I. 2004/3161). The amounts in section 257(2) (personal allowance – age 65-74) and section 257(3) (personal allowance – age 75 and over) were subsequently increased by reference to the rise in earnings by section 9 (1)(a) and (b) of the Finance Act 2005.

For 2005-06, the amounts in sections 257, 257AB, 257A and 265(1) of the Act are increased by this Order in accordance with the percentage increase in the retail prices index for September 2005 over that for September 2004. Certain of the amounts have been rounded up to the nearest £100 in accordance with section 257C(1)(a) of the Act, and, in the case of other amounts, the increases have been rounded up to the nearest £10 in accordance with section 257C(1)(b) of the Act.

The retail prices index is defined in section 833(2) of the Act, as amended by paragraph 22 of Schedule 2 to the Transfer of Functions (Registration and Statistics) Order 1996 (S.I. 1996/273), as the "general index of retail prices (for all items) published by the Office for National Statistics". The retail prices index for September 2004 is 188.1 and for September 2005 is 193.1.

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