STATUTORY INSTRUMENTS

1986 No. 529

INCOME TAX

The Income Tax (Indexation) Order 1986

Made - - - - 18*th March* 1986

The Treasury, in pursuance of section 24(9) of the Finance Act 1980 **(a)**, hereby makes the following Order:—

1. This Order may be cited as the Income Tax (Indexation) Order 1986.

2.—(1) The amounts which, unless Parliament otherwise determines, will be treated by virtue of section 24 of the Finance Act 1980 as specified for the year 1986–87 in section 32 of the Finance Act 1971 **(b)** and section 8 of the Income and Corporation Taxes Act 1970 **(c)** are as follows.

(2) In section 32 of the said Act of 1971 (basic rate limit and higher rate bands)—

(*a*) the basic rate limit £17,200;

(*b*) the higher rate bands—

Band	*Part of total income in excess of basic rate limit*
First	The first £3,200
Second	The next £5,500
Third	The next £8,400
Fourth	The next £8,400
Fifth	The remainder.

(3) In section 8 of the said Act of 1970 (personal allowances)—

(*a*) subsection (1)(*a*) (married) £3,655;

(*b*) subsection (1)(*b*) and (2) (single and wife's earned income relief) £2,335;

(*c*) subsection (1A)(*a*) and (*b*) (age allowance) £4,505 and £2,850;

(*d*) subsection (1B) (income limit for age allowance) £9,400.

T. Garel-Jones,
Donald Thompson,
Two of the Lords Commissioners
of Her Majesty's Treasury.

18th March 1986.

(a) 1980 c.48; section 24 was amended by section 17(2) of, and Schedules 7 and 23 (Pt. VI) to, the Finance Act 1984 (c.43).
(b) 1971 c.68; section 32 was amended by section 24(2) of the Finance Act 1980 (c.48) and by section 17(2) of, and Schedules 7 and 23 (Pt. VI) to, the Finance Act 1984.
(c) 1970 c.10; section 8 was amended by section 31(1) of the Finance (No. 2) Act 1975 (c.45).

EXPLANATORY NOTE

(*This Note is not part of the Order.*)

Section 24 of the Finance Act 1980 provides that the Treasury shall by order made by statutory instrument before 6 April 1986 specify the amounts which by virtue of that section shall, unless Parliament otherwise determines, be treated as specified for the year 1986–87. These are the thresholds for the higher rates of tax—the basic rate limit and the higher rate bands (section 32, Finance Act 1971, as amended by section 17 of, and Schedule 7 to, the Finance Act 1984—abolition of investment income surcharge for 1984–85 and subsequent years of assessment) and the personal allowances (section 8, Income and Corporation Taxes Act 1970). These amounts are increased in accordance with the percentage increase in the retail prices index for December 1985 over that for December 1984. The "retail prices index" is defined in section 24(8) as "the general index of retail prices (for all items) published by the Department of Employment".

The retail prices index for December 1985 is 378.9 and for December 1984 358.5 (based on January 1974 as 100). (Table 6.4 of the Department of Employment Gazette, January 1986). This Order specifies the amounts which take account of that increase. They will have effect for income tax for the year 1986–87 unless Parliament otherwise determines.

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