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ACCA F6

Taxation (UK) 英国税法
Chapter 2B Income tax liability





Computing IT liability

Tax rate for non-saving income

	Tax rate	Income limit
Basic rate	20%	0-32000
Higher rate	40%	32001-150000
Additional rate	45%	Above 150000



Computing IT liability

Tax rate for saving income

	Tax rate	Income limit
Starting rate	0%	0-5000
Basic rate	20%	5001-32000
Higher rate	40%	32001-150000
Additional rate	45%	Above 150000

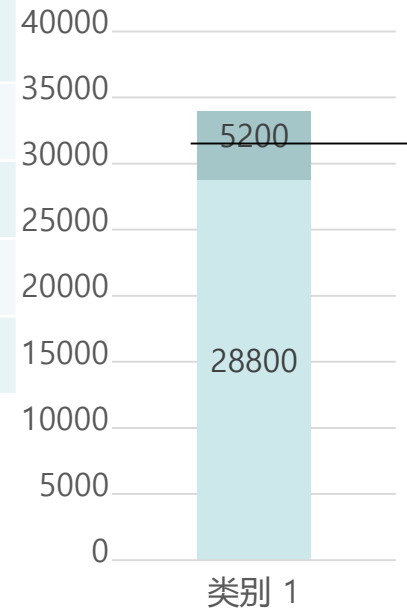
The saving income nil rate band is £1000 if the individual is basic rate taxpayer and £500 if the individual is higher rate taxpayer . There is no savings income nil rate band for additional rate taxpayer.



Computing IT liability

Alica has trading income of £39800 and bank interest of £5200. Calculate Alica's tax liability.

	NON-SAVING	SAVING	TOTAL
TRADING INCOME	39800		
BANK INTEREST		5200	
NET INCOME	39800	5200	45000
LESS PA	(11000)		
TAXABLE INCOME	28800	5200	34000



Non-saving	$28800 \times 20\% = 5760$
Saving-income	$500 \times 0\% = 0$
	$(32000 - 28800 - 500) \times 20\% = 540$
	$(5200 - 500 - 2700) \times 40\% = 800$
Tax liability	$5760 + 540 + 800 = 7100$



Computing IT liability

Tax rate for dividend

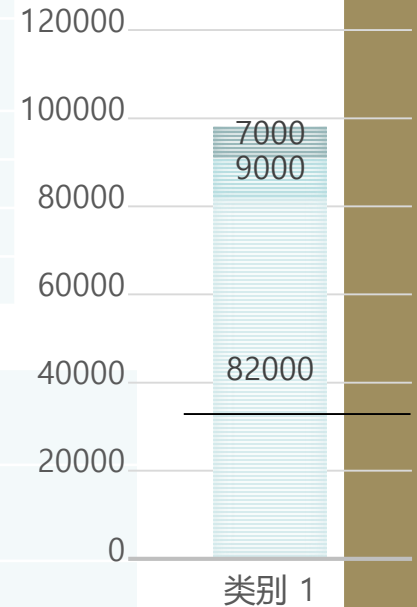
	Tax rate	Income limit
Basic rate	7.5%	0-32000
Higher rate	32.5%	32001-150000
Additional rate	38.1%	Above 150000

There is a tax rate of 0% for dividend income within the dividend income nil rate band . The dividend income nil rate band is £5000 for all taxpayers.



Computing IT liability

	non-saving	saving	dividends	total
employment income	90000			
bank interest		9000		
dividends			7000	
total income	90000	9000	7000	106000
less personal allowance	8000			8000
taxable income	82000	9000	7000	98000
working				
personal allowance	$11000 - (106000 - 100000) * 1/2 = 8000$			



non-saving	$32000 * 20\% + (82000 - 32000) * 40\% = 29600$
saving	$(9000 - 500) * 40\% = 3400$
dividend	$(7000 - 5000) * 32.5\% = 650$
Tax liability	$29600 + 3400 + 650 = 33650$



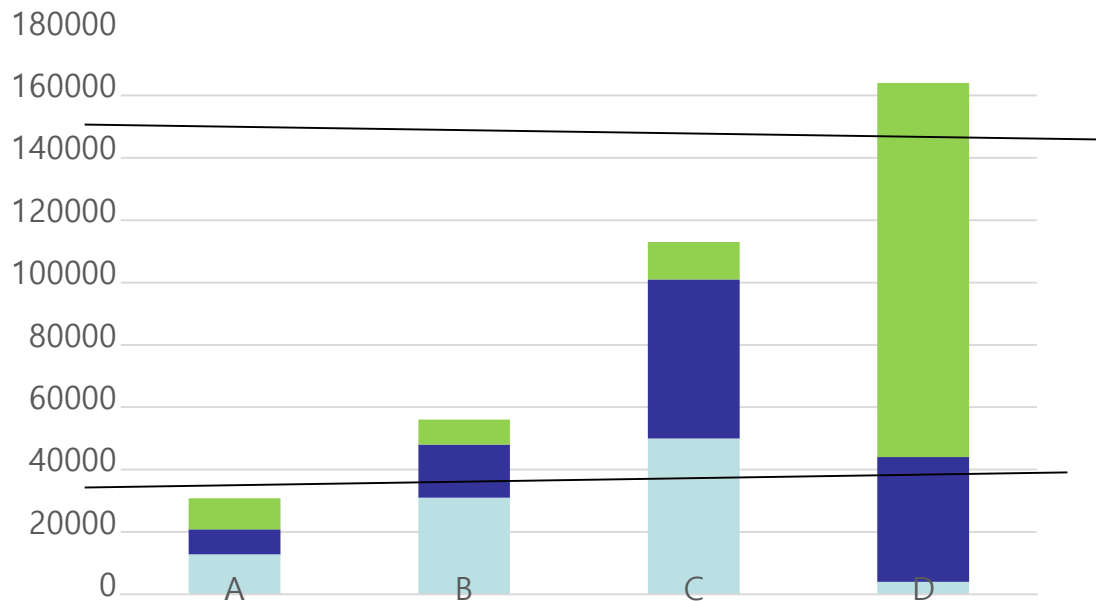
Steps in computing IT liability and IT payable

- ① Prepare a personal tax computation is to set up three columns
- ② Deal with non-saving income
- ③ Deal with saving income
- ④ Tax dividend income
- ⑤ Compute tax liability
- ⑥ Deduct tax paid under Pay As You Earn(PAYE)



Example(all taxable income)

	Non-Saving	Saving	Dividend	Total
A	12800	8000	10000	30800
B	31000	17000	8000	56000
C	100000	51000	12000	113000
D	4000	40000	120000	164000





Example

Mick has employment income of £56300(PAYE deducted £5800), bank interest of £4250 and dividend of £7500. He pays deductible interest of £3000. How much income tax is payable by Mick ?

	<i>Non-savings income</i> £	<i>Savings income</i> £	<i>Dividend income</i> £	<i>Total</i> £
Employment income	56,300			
Bank interest		4,250		
Dividends			7,500	
Total income	<u>56,300</u>	<u>4,250</u>	<u>7,500</u>	
Less interest paid	(3,000)			
Net income	<u>53,300</u>	<u>4,250</u>	<u>7,500</u>	65,050
Less personal allowance	(11,000)			
Taxable income	<u>42,300</u>	<u>4,250</u>	<u>7,500</u>	<u>54,050</u>
<i>Income tax</i>				£
<i>Non-savings income</i>				
£32,000 × 20%				6,400
£10,300 × 40%				4,120
<i>Savings income</i>				
£500 × 0% (savings nil rate band – higher rate taxpayer)				0
£3,750 (4,250 – 500) × 40%				1,500
<i>Dividend income</i>				
£5,000 × 0%				0
£2,500 (7,500 – 2,500) × 32.5%				812
Tax liability				<u>12,832</u>
Less PAYE				<u>(5,800)</u>
Tax payable				<u><u>7,032</u></u>



Accrued income scheme & Gift aid

Additional tax relief for higher rate and additional rate taxpayers is given in the personal tax computation by increasing the donors basic rate limit and higher rate limit by the gross amount of the gift.

A gift aid donation is treated as through it paid net of basic rate tax(20%).

$\text{Gross} = \text{net} * 100 / 80$



Accrued income scheme & Gift aid

- Example : Matt has trading income of £182000. He made a gift aid donation of £12000(net). Compute Matt's income tax liability.

		<i>Non-savings Income</i>
		£
Taxable income (no personal allowance as income over £122,000)		<u>182,000</u>
<i>Income tax</i>	£	£
Basic rate	47,000 (W1) × 20%	9,400
Higher rate	118,000 (W2) × 40%	47,200
Additional rate	<u>17,000 × 45%</u>	<u>7,650</u>
	<u>182,000</u>	<u>64,250</u>

Workings

- 1 Basic rate limit $£32,000 + (£12,000 \times 100/80) = £47,000$
- 2 Higher rate limit $£150,000 + (£12,000 \times 100/80) = £165,000$. The higher rate band is therefore $£(165,000 - 47,000) = £118,000$ ie the same as the usual $£(150,000 - 32,000)$.



Accrued income scheme & Gift aid

Adjusted net income is net income less the gross amounts of personal pension contributions and gift aid donations.

The restrictions on the personal allowance are calculated in relation to adjusted net income.



Accrued income scheme & Gift aid

- Example : Matt has trading income of £11000. He made a gift aid donation of £5000(net). Compute Matt's income tax liability.

		<i>Non-savings income</i>
		£
Employment income/Net income		110,000
Less personal allowance (W1)		<u>(9,125)</u>
Taxable income		<u>100,875</u>
<i>Income tax</i>	£	£
Basic rate (W2)	38,250 × 20%	7,650
Higher rate	<u>62,625 × 40%</u>	<u>25,050</u>
	<u>100,875</u>	<u>32,700</u>
 <i>Workings</i>		
1	Personal allowance	
		£
	Net income	110,000
	Less: gift aid donation	
	£5,000 × 100/80	<u>(6,250)</u>
	Adjusted net income	103,750
	Less income limit	<u>(100,000)</u>
	Excess	<u>3,750</u>
	Personal allowance	11,000
	Less half excess £3,750 × ½	<u>(1,875)</u>
		<u>9,125</u>
2	Basic rate limit	
	£32,000 + (£5,000 × 100/80)	<u>£38,250</u>



Child benefit

If the taxpayer has adjusted net income between £50000 and £60000, the charge is 1% of the child benefit amount for each £100 of adjusted net income in excess of £50000. The calculation, at all stages, is rounded down to the nearest whole number.



Example

Jessy is divorced and they have a child aged six . Jessy has net income of £56000 and made personal pension contributions of £4500(gross).She received child benefit of £ 1788.Calculate Jessy's child benefit income tax charge .

Net income	£ 56,000
Less personal pension contributions (gross)	<u>(4,500)</u>
Adjusted net income	51,500
Less threshold	<u>(50,000)</u>
Excess	<u>1,500</u>
÷ £100	<u>15</u>
Child benefit income tax charge: $1\% \times £1,788 \times 15$	<u>268</u>



Transferable personal allowance & married couples

An individual can elect to transfer £1100 of their spouse if certain conditions are met . This is known as marriage allowance.

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Thank You!

