

TAXATION – HOW IT WORKS and WHAT IT COSTS:

TAXATION:

Her Majesty's Revenue & Customs (HMRC) is responsible in the UK for collecting the bulk of tax revenue (income tax and national insurance contributions), as well as paying Tax Credits and Child Benefits, and collecting taxes at the UK's frontiers. Their website is at www.hmrc.gov.uk

The current rates of income tax and national insurance contributions are shown below.

INCOME TAX ALLOWANCES:

Income tax allowances	2007-08 (£)	2008-09 (£)
Personal allowance	5,225	5,435
Personal allowance for people aged 65-74	7,550	9,030
Personal allowance for people aged 75 and over	7,690	9,180
Income limit for age-related allowances	20,900	21,800
Married couple's allowance for people born before 6 April 1935	6,285	6,535
Married couple's allowance aged 75 or more	6,365	6,625
Minimum amount of married couple's allowance	2,440	2,540
Blind person's allowance	1,730	1,800

The rate of relief for the continuing married couple's allowance and maintenance relief for people born before 6 April 1935, and for the children's tax credit, is 10%.

TAXABLE BANDS:

	2007-08 (£)	2008-09 (£)
Taxable Bands Allowances		
Starting rate 10%	0 – 2,230	
Basic rate 22%	2,231 – 34,600	0 – 36,000
Higher rate 40%	Over 34,600	Over 36,000