

TAXATION (TX-UK)

(Finance Act 2024)

For June 2025 to March 2026 examination sittings

Pocket notes



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chapter

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Income tax: basic computation, investment and property income

In this chapter

- Tax year.
- Taxable income.
- Exempt income.
- Pro forma income tax computation 2024/25.
- Reliefs
- Personal allowance (PA).
- · Child benefit tax charge.
- Calculating income tax.
- Tax rates.
- Tax deducted at source.
- Property income.
- Joint income.
- Investment income
- Residence.

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Pro forma – Income tax computation – 2024/25

	Non-savings £	Savings £	Dividends £	Total £
Trading profits	X	~	~	X
Employment income	X			X
Property income	X			Χ
Pension income	X			X
Interest income		X		X
Dividend income			X	X
Total income	X	X	X	X
Less: Reliefs	(X)			(X)
Net income	X	X	X	X
Less: Personal Allowance (PA)	(12,570)			(12,570)
Taxable income	X	X	X	X

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Calculating income tax

- Dividends, savings income and nonsavings income need to be totalled separately.
- (2) To ensure that tax is saved at the highest rates, reliefs and the PA should be deducted from:
 - · non-savings income
 - · then savings income
 - · then dividends.
- (3) Order of calculation

Tax should be calculated in the same order:

- · non-savings income
- · then savings income
- then dividends

Tax rates

 Different tax rates apply depending on the amount and type of income.

	Non- savings	Savings	Dividends
Basic rate band (first £37,700)	20%	20% (Note)	8.75% (Note)
Higher rate band (£37,701 – £125,140)	40%	40%	33.75%
Additional rate band (over £125,140)	45%	45%	39.35%

Note: If savings income falls into the first £5,000 of taxable income, it is taxed at 0% (not 20%).

A savings nil rate band is available as follows:

- Basic rate taxpayers £1,000
- Higher rate taxpayers £500

All taxpayers are entitled to a £500 dividend nil rate band.

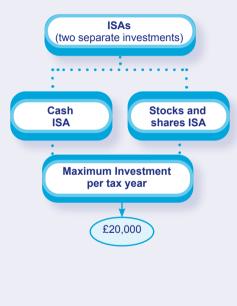
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Joint income

- Applies to married couples and civil partnerships.
- Normal assumption = 50/50 split.

Can elect for income to be taxed according to actual percentage ownership.

Investment income



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Consider first four ties

Resident in UK? Automatic Automatic Sufficient ties tests non-UK residency tests **UK residency tests** Individual in UK in tax Individual automatically Close family in the UK year less than UK R if - Spouse/Civil partner/minor child • 16 days, or In UK ≥ 183 davs in 2 Accommodation in UK • 46 days and not UK R - used in tax year tax vear. or in any of last 3 years, or Only home in UK, or 3 Substantive work in UK • 91 days and works FT Work FT in UK 4 Days in UK in last two tax years abroad - > 90 days in either year 5 Country tie – Most time spent in UK Previously resident in UK Not previously resident in UK = UK R in one of last 3 years = not UK R in any of last 3 years

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Use

tax tables in exam.

Consider all five ties



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