

PART 7 Income Tax and Corporation Tax Exemptions

CHAPTER 1 Income tax

Exemption from income tax and associated marginal relief. FA80 s1; FA81 s1(a)(i); FA89 s1(a); FA91 s1(a)(iii); FA94 s1(a); FA97 s1(a) 187.—(1) In this section, “the specified amount” means, subject to subsection (2)—

(a) in a case where the individual would apart from this section be entitled to a deduction specified in section 461 (a), £8,000, and

(b) in any other case, £4,000.

(2) (a) For the purposes of this section and section 188, where a claimant proves that he or she has living at any time during the year of assessment any qualifying child, then, subject to subsection (3), the specified amount , as the case may be) shall be increased for that year of assessment by—

(i) £450 in respect of the first such child,

(ii) £450 in respect of the second such child, and

(iii) £650 in respect of each such child in excess of 2.

(b) Any question as to whether a child is a qualifying child for the purposes of this section or section 188 shall be determined on the same basis as it would be for the purposes of section 462, but without regard to subsections (1)(b), (2), (3) and (5) of that section.

(3) Where for any year of assessment 2 or more individuals are, or but for this subsection would be, entitled under subsection (2) to an increase in the specified amount , as the case may be) in respect of the same child, the following provisions shall apply:

(a) only one such increase under subsection (2) shall be allowed in respect of each child;

(b) where such child is maintained by one individual only, that individual only shall be entitled to claim the increase;

(c) where such child is maintained by more than one individual, each individual shall be entitled to claim such part of the increase as is proportionate to the amount expended on the child by that individual in relation to the total amount paid by all individuals towards the maintenance of the child;

(d) in ascertaining for the purposes of this subsection whether an individual maintains a child and, if so, to what extent, any payment made by the individual for or towards the maintenance of the child which that individual is entitled to deduct in computing his or her total income for the purposes of the Income Tax Acts

shall be deemed not to be a payment for or towards the maintenance of the child.

(4) Where for any year of assessment—

(a) an individual makes a claim for the purpose, makes a return in the prescribed form of his or her total income for that year and proves that such total income does not exceed the specified amount, the individual shall be entitled to exemption from income tax, or

(b) an individual makes a claim for the purpose, makes a return in the prescribed form of his or her total income for that year and proves that such total income does not exceed a sum equal to twice the specified amount, the individual shall be entitled to have the amount of income tax payable in respect of his or her total income for that year, if that amount would but for this subsection exceed a sum equal to 40 per cent of the amount by which his or her total income exceeds the specified amount, reduced to that sum.