



**HM Revenue
& Customs**

Extra Personal Allowances for 2008-09

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Chancellor's Announcement 13 May

- Extra Personal Allowance of £600
- Intended for those who pay basic rate tax
- Allowances only for those under 65
- Most individuals should see a £60 increase in September 2008 and £10 per month after that
- Subject to Royal Assent, codes take affect from first payday on or after 7 September

How that works in practice

- Every one under 65 gets an extra £600
- Basis rate band restricted by £1,200 to £34,800

Taxable pay £55,000

Less £5,435

Taxable £49,565

20% on £36,000 = £7,200

40% on £13,565 = £5,426

Total tax due = £12,626

Taxable pay £55,000

Less £6,035

Taxable £48,965

20% on £34,800 = £6,960

40% on £14,165 = £5,666

Total tax due = £12,626

Exceptional circumstances

- We will try and restore as many codes to a cumulative basis as possible
- Those on week 1/month 1 will only see a £10 increase in September
- Individuals over 65 who have their higher Personal Age related Allowance gradually reduced down to the level of the basic Personal Allowance because of the level of their income will get the extra allowances from September

Our key messages

- there will be no change to the full rate of Personal Age Allowances
- higher rate taxpayers should see no change to their monthly tax bill
- the majority of code changes will be made using a new form **P7X (2008) (2)**.
- We will send a P2 where we change a code following a manual review
- employees must have paid tax during the year in order to get the benefit of the code change

Getting the message across

- We want to know
 - Have we covered everything that we need to?
 - How individuals are reacting to the announcement
 - How can we work with you to get the right information to individuals?