

QuinnAccountancy

Personal taxes to see big changes next month

It has been estimated that millions of taxpayers will be affected by changes to the tax system that are due to come into effect as from 6 April this year.

As many as 45 tax and benefit reforms will be in force at the start of the new tax year. These are on top of the January increase in VAT to 20 per cent.

Perhaps the most significant change will concern income tax. It is thought that as many as half a million people will drop below the personal allowance threshold altogether. That is because the threshold, the point at which income tax charges are liable, is due to climb from £6,475 to £7,475.

However, some three-quarters of a million people will find themselves paying income tax at the 40 per cent rate, a result of the decision to lower the band threshold from £43,875 to £42,475.

There will be a noticeable lift in employee national insurance contributions too. The UK's 29 million employees will be paying an extra 1 per cent in employee NICs as the rate rises from 11 per cent to 12 per cent.

Higher earners will also be faced with an extra NIC squeeze. Currently, anyone earning £844 a week must pay a higher rate in NICs. From April, that level of weekly earnings will drop to £817, after which the NIC rate hits 2 per cent.

Along with the changes to income tax and NICs, April will herald a shift in working and child tax credits.

Child benefit is to be frozen for three years, while for some families it will be scrapped altogether in 2012. And the child tax credit is to be reduced for some people.