



TAXATION (TX-UK)

(Finance Act 2024)

For June 2025 to March 2026 examination sittings

Pocket notes

KAPLAN
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chapter

1

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.

Pro forma – Income tax computation – 2024/25

	Non-savings	Savings	Dividends	Total
	£	£	£	£
Trading profits	X			X
Employment income	X			X
Property income	X			X
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
	—	—	—	—

Calculating income tax

- (1) Dividends, savings income and non-savings 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

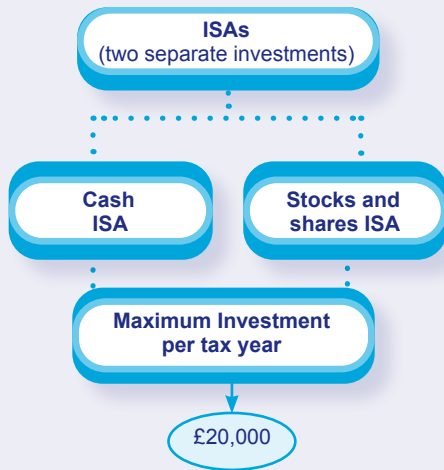
All taxpayers are entitled to a £500 dividend nil rate band.

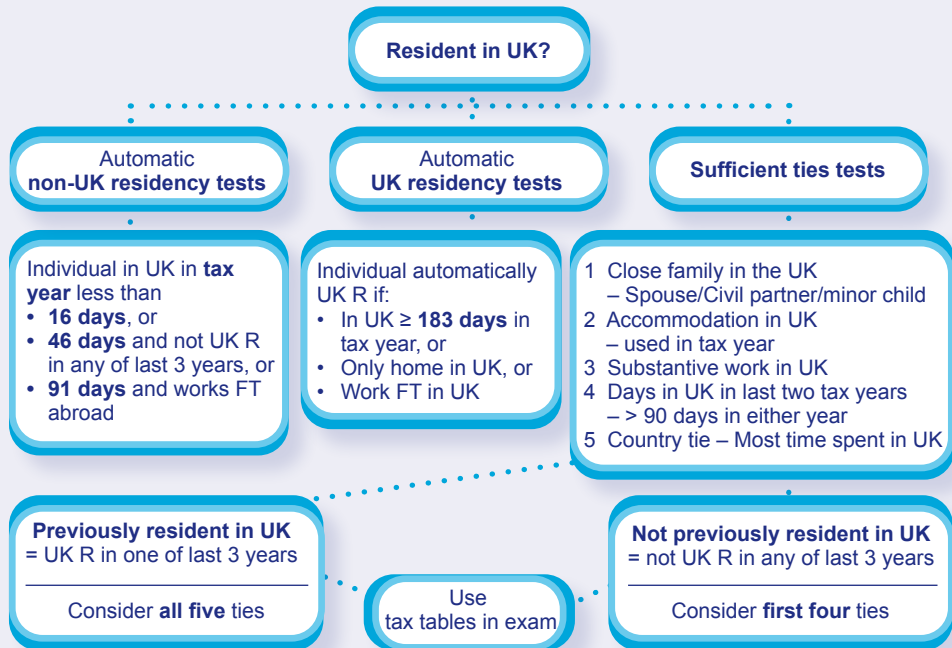
Joint income

- 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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