

# FY 2022/23 Tax Simple Explanations

## Income tax

Income tax on earned income is charged at three rates: the basic rate, the higher rate and the additional rate.

For 2022/23 these three rates are 20%, 40% and 45% respectively. Tax is charged on taxable income at the basic rate up to the basic rate limit, set at £37,700. 'Taxable income' excludes personal allowances, which represent the amount of money someone may receive free of tax. Tax is charged at the higher rate on taxable income between the basic rate limit and the higher rate limit, set at £150,000. The additional rate is charged on taxable income over £150,000. All three tax rates are unchanged from 2021/22.

## Personal allowance

The personal allowance is set at £12,570 for 2022/23. Both the personal allowance and the basic rate limit have been fixed in value from 2021/22. As a result the higher rate threshold – the point at which individuals become liable to pay tax at the higher rate – remains unchanged at £50,270 for 2022/23.

## Marriage allowance

Married couples and civil partners may be entitled to claim the marriage allowance. Individuals whose income is insufficient to make full use of their personal allowance may transfer this unused fraction to their spouse or civil partner, up to a set amount. Individuals cannot make use of this provision if their spouse or partner pays more than the basic rate of tax. For 2022/23 the maximum that can be transferred is £1,260.

## National Insurance contributions

The rates of National Insurance contributions (NICs) for both employees and employers are increased by 1.25 percentage points for 2022/23. For employees, the rate of NICs is set at 13.25% on all earnings between the primary threshold and the upper earnings limit, and at 3.25% on earnings above the upper earnings limit. For employers, the rate of NICs is set at 15.05% on earnings above the secondary threshold.

The primary threshold is set initially at £190 per week, rising to £242 per week from 6 July 2022. The secondary threshold is set at £175 per week for the whole of the 2022/23 tax year. The upper earnings limit is set at £967 per week for 2022/23, so that it remains aligned with the income tax higher rate threshold.