

Reg. Charity No 265562 email: enquiries@ageconcerndarentvalley.org.uk Tax Free Income & Savings

As the application of UK Tax Regulations under HMRC legislation can be individual, complex, and liable to change, this Age Concern Information Sheet is intended only as a basic guide, not as an exhaustive or authoritative Statement of Law. Please check with your local HMRC Tax Office or FSA registered IFA adviser for specific advice or confirmation of your tax position. Age Concern issues this information on the basis that we accept no responsibility for any information contained within, howsoever caused. Age Concern is not FSA registered but can offer initial basic advice.

Tax Free Income can include:

1. Housing Benefit & Council Tax Benefit payments.
2. Income Support Benefit payments
3. Attendance Allowance & Disability Living Allowance payments.
4. Incapacity Benefit payments. (Restrictions apply)
5. Severe Disablement Allowance payments.
6. Pensioners Christmas Bonus payment.
7. Industrial Injury DSS payments.
8. War Widows Pensions & Allowances.
9. Disablement Pensions paid from Armed Forces, Police or Fire Service.
10. Most prizes, including National Lottery.
11. Some gifts received.
12. The first around £5,250 rent received for furnished room in house (IR Leaflet IR87)
13. The first £30,000 of Redundancy and certain leaving payments. (Restrictions apply)
14. Maintenance or Child Support Payments received. (Restrictions apply)
15. Bonuses & Profits on most life assurance policies.
16. Initial maximum 25% Lump Sums received under many approved pension schemes.
17. In some instances, on tools, clothing, equipment & travel required for employment agreed with HMRC as tax allowable.

Tax relief or Tax Reductions may be given on:

18. Qualifying Life Assurance Policies prior to 13/03/84 attracts 12.5% relief.
19. Occupational or Personal Pension contributions attract tax relief at individual's highest rate up to certain limits.
20. Married Couples Allowance (only granted for persons born up to 1935)
21. Children's Tax relief via Childs Tax Credits.
22. Working Tax Credits.
23. Disabled Persons Tax Credit.

Tax Free Income/Savings may include:

24. Any Savings or Deposits account where account holder has submitted a valid form IR85 and income within tax allowance.
25. The proceeds from National Savings Certificates attract full tax relief.
26. Some accounts with National Savings are tax-free (some pay interest gross whether or not tax may be payable).
27. Interest/gains from Individual Savings Accounts (ISAs) and Personal Equity Plans (PEPs) PEPs are classed as ISAs from 04/2008.
28. Premium Bonds Prizes received.
29. Interest paid on some qualifying Save As You Earn (SAYE) schemes
30. Friendly Societies 10-year savings schemes (limits apply on contributions)
31. Normally, 25% of occupational or private pension funds taken as an initial lump sum upon taking an annuity.
32. A child is allocated a single person tax allowance from birth onwards and this allowance can be used for example to preclude tax being paid on savings interest. Money given to a child by parents is only tax free to the first around £100. Money given by Grandparents more generous. Money / assets given by a UK taxpayer could be tax free if the tax payer lives for seven years – proportionate tax due of one seventh of value of gift for each year the UK Taxpayer fails to live after date of gift.

The Five Main UK Taxes that may currently apply are:

National Insurance	Paid by those under state retirement age on earned income over stated thresholds.
Income Tax	Paid on the taxable amount of any earned income, Pensions or Investment income, etc.
Capital Gains Tax	Paid on profits over a certain amount from the sale of, or giving of, an asset.
Inheritance Tax	Paid at 40% on the value of your estate over £325,000 (£650,000 for couples re nil rate band) when you die, and at persons applicable tax rate on certain gifts you make within seven years of the date of your death. Tax not payable on estates to spouses & civil partners or to charities.
Stamp Duty	Paid on UK property purchases and Shares; 1% £125,000 to £250,000, 3% for properties priced £250,001 to £500,000 and 4% for properties priced over £500,000. First time buyers pay no stamp duty on properties priced up to £250,000.

Self-Assessment Tax Forms are normally sent annually to self-employed, those with large or complex savings or income. You can request an assessment of your tax for up to six previous years and receive a refund if it is found you have overpaid tax or be required to pay any outstanding balance if found to have underpaid tax.

UK Tax normally applies to UK residents, UK Nationals, or those domiciled in the UK in excess of 3 months each year.