# Personal Savings Allowance Factsheet

## 1. Introduction

From 6 April 2016, if you're a basic rate taxpayer you'll be able to earn up to £1,000 in savings income tax-free. Higher rate taxpayers will be able to earn up to £500. This is called the Personal Savings Allowance.

This means:

- most people will no longer pay tax on savings interest
- banks and building societies will stop deducting tax from your account interest

If you already receive interest without tax being taken off, you'll no longer need to tell your bank or building society that you qualify for tax-free interest.

## 2. What counts as savings income

Savings income includes account interest from:

- bank and building society accounts
- accounts with providers like credit unions or National Savings and Investments

It also includes:

- interest distributions (but not dividend distributions) from authorised unit trusts, open-ended investment companies and investment trusts
- income from government or company bonds
- most types of purchased life annuity payments

Interest from Individual Savings Accounts (ISAs) doesn't count towards your Personal Savings Allowance because it's already tax-free.

## 3. If your taxable income is less than £17,000

If your total taxable income is less than £17,000 you won't pay tax on any savings income.

## 4. How much your Personal Savings Allowance will be

The amount of your Personal Savings Allowance depends on your adjusted net income.

The table shows your allowance from 6 April 2016, depending on whether you're a basic, higher or additional rate taxpayer.

| Tax rate | Income band (adjusted net income) | Personal Savings Allowance |
|---|---|---|
| Basic 20% | Up to £43,000 | Up to £1,000 in savings income is tax-free |
| Higher 40% | £43,001 - £150,000 | Up to £500 in savings income is tax-free |
| Additional 45% | Over £150,000 | No Personal Savings Allowance |

## 5. Examples: basic rate

### 5.1 You earn £20,000 a year and get £250 in account interest

You won't pay any tax on your interest, because it's less than your £1,000 Personal Savings Allowance.

### 5.2 You earn £20,000 a year and get £1,500 in account interest

You won't pay tax on your interest up to £1,000. But you'll need to pay basic rate tax (20%) on the £500 interest over your Personal Savings Allowance.

## 6. Examples: higher rate

### 6.1 You earn £60,000 a year and get £250 in account interest

You won't pay any tax on your interest, because it's less than your £500 Personal Savings Allowance.

### 6.2 You earn £60,000 a year and get £1,100 in account interest.

You won't pay tax on your interest up to £500. But you'll need to pay higher rate tax (40%) on the £600 interest over your Personal Savings Allowance.

## 7. What you need to do

You don't need to do anything to claim your Personal Savings Allowance.

If you're a basic rate taxpayer and have savings income or interest of more than £1,000 (£500 for higher rate taxpayers), you'll have to pay some tax on this. But you don't need to do anything yet.

HMRC will normally collect the tax by changing your tax code. Banks and building societies will give HMRC the information they need to do this.

If you fill in a Self Assessment tax return you should carry on doing this as normal.