

### **What is the Personal Savings Allowance (PSA) :**

The Personal Savings Allowance allows most people to earn an amount of interest without paying tax each year and the amount of tax-free interest you can earn depends on the rate of income tax you pay.

Your income tax rate is determined by the total amount of your taxable income. This total can comprise from various sources, such as earnings from employment, pension payments, interest from savings, and other types of income received.

Your Personal Savings Allowance is separate from any ISA allowance you may have and the amount of allowance depends on the type of taxpayer you are:

- Basic taxpayers can earn £1,000 in tax free interest each year
- Higher taxpayers can earn £500 in tax free interest each year
- Additional rate taxpayers don't get an allowance

Those who earn below a certain amount may get a personal savings allowance of up to £5000. You can check the income tax rate at [Income Tax rates and Personal Allowances : Current rates and allowances - GOV.UK](#)

### **How does the Personal Savings Allowance affect ISAs?**

ISAs are tax-free savings accounts. This means any interest you earn will not count towards your PSA.

### **What you need to do**

You automatically receive the interest you earn within your PSA tax-free. No extra steps are needed. For any interest that exceeds the allowance, HMRC will typically collect the tax you owe by adjusting your tax code or through self-assessment.

For extra guidance on how tax is calculated visit the HMRC [Tax on savings interest: How much tax you pay - GOV.UK](#)