

# Personal Savings Allowance

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From 6 April 2016 HM Revenue & Customs (HMRC) is introducing a tax-free Personal Savings Allowance for savings income or interest. The new allowance means that most people will no longer pay tax on their savings interest.

## *Your questions answered*

### **What is the Personal Savings Allowance?**

If your total taxable income is less than £17,000 you won't pay tax on any savings income. Basic rate taxpayers can earn £1,000 a year in interest before being liable for tax. The figure is £500 for higher rate taxpayers, however there is no allowance for additional rate taxpayers. Interest from Individual Savings Accounts (ISA's) doesn't count towards your Personal Savings Allowance because it is already tax free.

### **How will my interest be paid in future?**

From 6 April 2016 we will stop deducting tax from the interest on all savings accounts. Interest that relates to periods before 6 April 2016 but paid afterwards will not have tax deducted.

### **What if I earn more interest than my Personal Savings Allowance?**

Depending on the amount of your total taxable income you will need to pay tax on the amount of savings interest over your Personal Savings Allowance. HMRC may collect this tax through your PAYE tax code or through a self-assessment tax return. Banks and building societies will give HMRC the information they need to do this.

For further information please contact HMRC directly.

[www.gov.uk/hmrc/savingsallowance](http://www.gov.uk/hmrc/savingsallowance)