



This document supports the video Tax Efficient Savings, and provides the relevant detail and allowances referred to in the video. These figures apply to the 2021/22 tax year which runs from 6th April 2021 to 5th April 2022.



## Personal Allowance £12,570

The standard personal allowance is £12,570. This is the amount that you can receive from your salary, savings or pension, before having to pay income tax. If you receive over £100,000 your personal allowance will be reduced. Your personal allowance may be different from this if you claim Marriage Allowance, Blind Persons Allowance or if you receive taxable benefits from your employer such as a company car.



## Starting Rate for Savings £5,000

The 'starting rate for savings' is aimed at helping savers on low incomes. This can give a tax free allowance of up to £5,000. It is reduced by £1 for every £1 that you earn over the personal allowance of £12,570. Therefore only people with earnings below £17,570 can benefit.



## Personal Savings Allowance £1,000, £500 or £0

The amount of your personal savings allowance will depend upon your income and the tax bracket that you are in.

Earnings	Tax bracket	Tax free Personal Savings Allowance
Less than £12,570	Zero rate tax payer	£1,000
£12,571 to £50,270	Basic rate tax payer	£1,000
£50,271 to £150,000	Higher rate tax payer	£500
More than £150,000	Additional rate tax payer	£0

### Example 1 - Salary £6,000

#### Personal allowance

Personal allowance of	£12,570
Minus salary of	£6,570
Remaining personal allowance	= £6,500

#### Starting rate for savings

As your earnings are below £12,570, you have the full £5,000 allowance

#### Personal savings allowance

As a zero rate tax payer you have a £1,000 allowance

#### Bringing it all together

Personal allowance	£6,500
Starting rate	+ £5,000
Personal savings allowance	+ £1,000
TOTAL	= £12,570

This means you can earn £12,570 in interest from your savings before having to pay income tax. To put this into context for an account paying 2%, you would need £628,500 in savings to receive £12,570 in interest.

### Example 2 - Salary £14,000

#### Personal allowance

As your earnings are above the personal allowance you have no personal allowance remaining.

#### Starting rate for savings

As your earnings are between £12,570 and £17,570 you have a starting rate allowance of

Upper threshold	£17,570
Minus salary	- £14,000
Allowance	= £3,570

#### Personal savings allowance

As a basic rate tax payer you have a £1,000 allowance

#### Bringing it all together

Personal allowance	£0
Starting rate	+ £3,570
Personal savings allowance	+ £1,000
TOTAL	= £4,570

This means you can earn £4,570 in interest from your savings before having to pay income tax. To put this into context for an account paying 2%, you would need £228,500 in savings to receive £4,570 in interest.

### Example 3 - Salary £20,000

#### Personal allowance

As your earnings are above the personal allowance you have no personal allowance remaining.

#### Starting rate for saving

As your earnings are above the upper threshold of £17,570 you have no starting rate for savings allowance.

#### Personal savings allowance

As a basic rate tax payer you have a £1,000 personal savings allowance

#### Bringing it all together

Personal allowance	£0
Starting rate	+ £0
Personal savings allowance	+ £1,000
TOTAL	= £1,000

This means you can earn £1,000 in interest from your savings before having to pay income tax. To put this into context for an account paying 2%, you would need £50,000 in savings to receive £1,000 in interest.

## ISAs including Help to Buy ISA and Lifetime ISA

The amount of money you can invest into all your ISAs in the 2021/22 tax year is £20,000. The most you can put into a Lifetime ISA is £4,000 in this tax year. Putting money into a Lifetime ISA will count towards your overall £20,000 limit.

To discuss your options with **my wealth**, please contact:



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