

Personal Savings Allowance FAQs

Overview

If you're a basic or higher-rate taxpayer you're entitled to a Personal Savings Allowance. For most people, this means you can earn more savings interest without paying tax. This means for basic rate taxpayers, a higher limit* of income from savings (e.g. any interest earned) will be tax-free, whereas for any higher rate taxpayers, a reduced limit* of savings income will be tax-free.

There is no action for most customers to take. Those with savings income below their personal savings allowance will have no tax to pay. Where possible, those with savings interest above their personal savings allowance will have any tax they have to pay collected automatically by HMRC, through a change to their tax code-based on information provided by banks and building societies. Those who currently complete a Self Assessment tax return should continue to do so. For further information about these changes, go to GOV.UK and search for Personal Savings Allowance.

Q&As

The following questions and answers should help customers who receive account interest from banks and building societies.

Savings income includes:

- Interest from banks, building societies and other account providers (such as credit unions and NS&I)
- Interest distributions (but not dividend distribution) from authorised unit trusts, open-ended investment companies and investment trusts
- Income from government or company bonds
- Some types of purchased life annuity payments and gains from certain contracts for life insurance.

Does income from ISAs count towards my Personal Savings Allowance?

No, incomes from ISAs does not count towards your Personal Savings Allowance.

Do taxpayers need to tell account providers about other savings income or their tax rate?

No, taxpayers do not need to give any information about their tax circumstances or other savings income to their account provider.

What about interest paid on PPI and other compensation payments?

Banks and building societies will still be required to take tax from any compensation interest paid. Customers may be able to claim the tax back by filling in form R40 (or form R43 if living overseas) and sending it to HMRC. These forms are available online at GOV.UK

How do I claim back tax paid on other savings income?

Banks and building societies will pay account interest with no tax taken off. However, you may still receive other types of savings income with tax taken off.

You may be able to claim this tax back by filling in form R40 (or form R43 if living overseas) and sending it to HMRC. These forms are available online at GOV.UK.

I am a basic rate taxpayer and my partner is a higher rate taxpayer; which Personal Savings Allowance applies to our joint account?

You will both receive the applicable Personal Savings Allowance* which you will use against your share of the interest.

If I am a higher rate taxpayer, what does this mean for me?

If you are a higher rate taxpayer, a reduced limit* of savings income will be tax-free. To find out more about how this impacts you, visit GOV.UK and search for Personal Savings Allowance.

If I am an additional rate taxpayer, do I get a Personal Savings Allowance?

No, you will not receive a Personal Savings Allowance.

If my total taxable income is less than the current threshold, what does this mean for me?

If your total taxable income - for example, from wages, profits, pensions and savings - is less than the current threshold,* you won't pay any tax on your savings income.

I have registered my account to receive interest without tax taken off, what do I need to do now?

You do not need to do anything because all account interest will be paid without tax taken off.

I am a business/a charity/a club/an association/a trustee/administering an estate - what will this mean for me?

Only individuals get a Personal Savings Allowance. If they are a business, charity, club or association, they will already receive interest without tax taken off.

If they are a trustee or are administering an estate, banks and building societies will no longer deduct tax from the interest they pay, so any tax due will have to be paid through the trust/estate tax return, where appropriate.

*Please see GOV.UK and search for Personal Savings Allowance for more information and for latest allowance figures.