

Check Your Tax



Working out your income tax

Advice for older people

April 2006 – April 2007

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Leaflets are free of charge and available from the Information Resources Team at the address on the back page, email adviceleaflets@helptheaged.org.uk or fax 0870 770 3282.

This leaflet was printed in July 2006, and the information contained in it should be correct until 5 April 2007. Every effort has been made to ensure that the information contained in this leaflet is accurate. However, things do change, so it is always a good idea to seek expert advice on your personal situation.

Check Your Tax was written for Help the Aged by Paul Lewis, a freelance writer on personal finance and presenter of Radio 4's Money Box.

If you would like this leaflet in another format, such as large print or audio tape, please contact the Information Resources Team on **020 7278 1114**.

Contents

Income tax	page 4
Your income	page 5
Your tax allowances	page 10
Do I pay tax at all?	page 17
How much tax will I pay?	page 20
Claiming tax back	page 26
Self assessment	page 28
Useful contacts	page 29

Last year, Inland Revenue and HM Customs & Excise were combined into a new organisation called Her Majesty's Revenue and Customs. The name 'Inland Revenue' is slowly disappearing but some offices, leaflets and phone book entries have still not been renamed.

Child Tax Credit, Working Tax Credit and Pension Credit are paid by HM Revenue and Customs but do not affect your tax calculation, and so are not covered in this leaflet.

The principle behind income tax is quite simple. If your income is more than a certain amount, you pay tax on the surplus. But two hundred years of hard work by accountants, lawyers and Chancellors of the Exchequer has created a system which is now very complicated. Changes over the last few years mean that many people with very modest incomes can find it difficult to work out how much tax they have to pay and even whether they have to pay tax at all.

This leaflet explains how to work out if you have to pay any tax and, if you do, how much.

Income tax

Income tax is calculated over the tax year which runs from 6 April to the following 5 April. In the tax year, every individual is allowed a certain amount of income before tax is due. This amount is called a **full tax allowance**. This name confuses many people who think a tax allowance is an amount of money they are paid. It is not. It is simply the amount of income you are allowed to have before you start paying tax.

There is also a different kind of tax allowance for married couples and registered civil partners where at least one of you was born before 6 April 1935. This is given to you as a discount off your final tax bill. It can make the calculations more difficult.

In 2006/07:

- You pay **no tax** on the income which is within your full tax allowances.
- You pay **10p in the pound** on the next £2,150 income above those allowances.

- You pay basic rate tax on the income above that. It is paid at two rates:
 - **20p in the pound** on interest and other income from savings (except dividends which are taxed differently – see page 9)
 - **22p in the pound** on all other income.
- Higher rate tax is paid if your income is very high. You will normally pay tax at **40p in the pound** on income above £38,335 a year. This higher rate of tax is the same for all income, whether it is from investments or not.

There are three stages to working out how much tax, if any, you have to pay:

- your income
- your allowances
- the arithmetic itself.

This leaflet will take you through each stage step by step. There is a section on page 20 to write down all the information you need to do the calculation.

Your income

Tax-free income

Not all income is taxable. Some is free of tax and so does not have to be counted as part of your income when you work out your tax. There are several sorts of tax-free income.

Some **benefits** are tax-free. They include:

- Most of the benefits paid for illness or disability such as Attendance Allowance, Disability Living Allowance, Severe

Disablement Allowance, War Pensions and Industrial Injuries Benefits are tax free. Any extra allowances paid with these benefits are also tax-free. However, Incapacity Benefit is normally taxed, although the short-term Incapacity Benefit paid in the first 28 weeks of sickness is not taxable.

- Bereavement Payment (the £2,000 given to new widows or widowers who were under pension age when they were bereaved, or whose late partner was not receiving a State Retirement Pension).
- The £10 Christmas Bonus and the Winter Fuel Payment.
- Means-tested benefits such as Pension Credit, Council Tax Benefit, Housing Benefit, and Working Tax Credit.
- Any benefits paid for children such as Child Benefit, Guardian's Allowance, extra allowances for children paid with a State Retirement Pension or any other benefit, and Child Tax Credit.

Generally **prizes and winnings** from gambling are tax-free, including:

- your own profits from gambling on pools, racing, slot machines or bingo are free of tax unless you gamble professionally
- Premium Bond prizes
- National Lottery prizes.

Some sorts of **investment income** are free of tax including:

- the increase in value of **National Savings Certificates**, including Index-linked Certificates; and
- all the interest or profit earned on an **Individual Savings Account (ISA)** or on the old Personal Equity Plans (PEP) (though any dividends paid on shares have basic rate tax deducted).

For more information on ISAs, and other investment options, see the Help the Aged free advice leaflet *Thinking About Money*.

Finally, **gifts** from family or friends are normally free of income tax, even if they are given regularly as a form of income. A gift must be freely given with no obligation on you to do anything in exchange. However, if you are given an object rather than money and it has grown in value since the donor got it, they may have to pay capital gains tax when they give it to you. And if you are given something very valuable or a lot of money, then inheritance tax may be due if the donor dies within seven years of making the gift.

If you need to find out more about inheritance tax or capital gains tax, your local Revenue & Customs Enquiry Centre or Citizens Advice Bureau may be able to help. You can find their contact details in your phone book.

Taxable income

Most income is taxable. This means that you have to pay tax on it if it is more than your tax-free allowance in the year. But to do the calculation you have to add your income up in three parts – interest on investments or savings, income from dividends, and all other income including pensions and earnings.

Interest on investments or savings

Interest on investments or savings is normally taxable – apart from the interest earned on the tax-free investments described on page 6. Interest can be paid in two ways.

- **Gross interest**

Some interest is paid without tax being deducted from it – that is called being paid ‘gross’. But you still have to pay tax on it. Interest paid gross includes:

- interest paid on Government stock which are also called gilts
- the ‘dividends’ earned on any money you have saved with a credit union. These are investment income and are **not** treated like dividends on shares
- interest paid on savings accounts which are held offshore in another country. However, under new rules the country where the account is located may deduct some tax from the interest. Alternatively it may ask you for permission to inform HM Revenue & Customs about your offshore account.

● **Net interest**

Most interest is paid with tax already deducted at 20 per cent. This is called being paid ‘net of basic rate tax’. To work out your tax, you need to use the amount of the income **before** tax is deducted. You can find this figure in the statement or pass book from your bank or building society. Alternatively, you can work it out by taking the interest net of tax then dividing by four and multiplying by five. This is called ‘grossing up’.

If your income is low enough so that you pay no tax, or you only pay it at the lower rate of 10p in the pound, then you can claim back the tax which has been automatically deducted from your interest on investments or savings at 20p in the pound. You can claim back all of it if you pay no tax or half of it if you only pay tax at the lower rate of 10p in the pound. See page 26 for details of how to claim the tax back.

Add up any interest on investments or savings you expect to get between 6 April 2006 and 5 April 2007. Use the grossed up amount. Write the answer in the **interest on investments or savings** box on page 20.

Income from dividends

Dividends paid on any shares you own are taxed differently from other investment income. Tax is already deducted from the dividends before you get the money. That means there is no further tax to pay on them unless you pay tax at the higher rate. But if your income is too low to pay tax you can no longer reclaim the tax that has already been paid.

Add up any income you expect to get from dividends between 6 April 2006 and 5 April 2007. Divide the amount by nine and multiply by ten to work out your dividend income before tax. Write the answer in the **income from dividends** box on page 20. You won't need it for your tax calculation but you may need it to work out your tax allowances if your income is over £20,100.

Other income including pensions and earnings

Most other income is taxable. That includes:

- An occupational, personal or stakeholder **pension**. It will usually have tax deducted from it by the organisation which pays you. There is more information about this later in the leaflet. When you come to add up your income to work out your tax, use the figure **before** tax is deducted. You will find that figure on the payment document.
- All parts of the **State Retirement Pension**. A married woman's pension based on her husband's contributions is counted as her income when tax is worked out. However, if she is under 60 and her husband gets extra pension for her as a dependant then that amount is counted as his income.

- Other taxable **benefits**:
 - Bereavement Allowance
 - Jobseeker’s Allowance
 - Carer’s Allowance
 - any extra amount you get with these benefits for a dependent wife or husband
 - Statutory Sick Pay
 - Incapacity Benefit paid after the first 28 weeks of sickness is usually taxable.
- **Earnings** from work or self-employment are all taxable.

Add up all the taxable income including pensions and earnings you expect to get between 6 April 2006 and 5 April 2007. Write it down in the **other income including pensions and earnings** box on page 20.

Your tax allowances

The full tax allowances are:

- the personal allowance
- the blind person’s allowance.

The married couple’s allowance which some people in couples can get works in a different way and is explained later.

The full tax allowances represent the amount of income you can have before you pay any tax.

Full tax allowances

Table 1: **Full tax allowances 2006/07**

Personal allowance	Amount
Age at 5 April 2007	
Under 65	£5,035
65 to 74	£7,280*
75 or more	£7,420*
Blind person's allowance	£1,660
* These allowances will be reduced if total income in the tax year exceeds £20,100. They will never fall below £5,035.	

Personal allowance

The personal allowance is available to men and women, married or single. The personal allowance depends on your age. It is £5,035 if you are under 65, £7,280 if you are aged 65–74 and £7,420 if you are aged 75 or more.

These higher age-related allowances are for people who reach the relevant age at any time in the tax year. So even if your 65th or 75th birthday is on 5 April 2007, you still get the age-related allowance for the whole 2006/07 tax year.

Age-related allowances are not always applied automatically so it is always worth checking.

Higher incomes

If your income in 2006/07 is above £20,100, you will lose some or all of your age-related allowance. In order to work out the reduction, you must first work out your total income. Add up interest on investments or savings, the grossed up dividend income, and other income including pensions and earnings from the boxes on page 20. Ignore any tax-free income.

Then deduct any covenants or Gift Aid payments which you pay net of tax to a charity. Before deducting them they must be converted into the equivalent amount before tax is paid. You do this by multiplying by 100 and dividing by 78.

If your total income worked out in this way is more than £20,100 then your age-related allowance will be reduced. The reduction is £1 for every £2 income over £20,100 (but your age-related allowance will never be reduced below the £5,035 allowed to people under 65).

So the £7,280 allowance for those aged 65–74 is reduced if income exceeds £20,100 and falls to £5,035 if income is £24,590 or more. If you are 75 or more, your allowance is reduced to £5,035 if your income is £24,870 or more.

Each extra £1 of income brings your tax allowance down by 50p. That means that another 50p of income is taxed and the extra £1 income is also taxed. So an extra £1 of income creates a tax on £1.50. Tax on £1.50 is 30p (at 20p in the pound) and 33p (at 22p in the pound). So your net income after tax only rises by between 67p and 70p for each extra pound of other income. In effect, you end up paying tax at a high rate of between 30p and 33p in the pound on extra income between £20,100 and your upper limit for age-related allowance.

If your income is in this zone it might be worth considering one of the tax-free savings schemes mentioned earlier (see page 6). Any income from these schemes is ignored completely when working out your total income.

Blind person's allowance

There is a special tax allowance for blind people. It is £1,660 in 2006/07 and is available to anyone who is registered blind but not to those who are registered as partially sighted. The rules for

qualifying are slightly different in Scotland and Northern Ireland where there is no system to register as blind – ask HM Revenue and Customs for advice.

If a married person is blind and does not have enough income to use up their blind person's allowance, then it can be transferred to their spouse. If both partners are blind, they get one allowance each.

Work out your full tax allowances. Take account of the rules for reducing the age-related allowance if your income is more than £20,100. Write the answer down in the **full tax allowances** box on page 20.

Married Couple's allowance

The married couple's allowance works differently from the full tax allowances. It is simply a rebate which is deducted from your tax after the rest of the calculation has been done. This rebate is 10 per cent of the amount of the allowance. If the amount to be deducted is more than the tax due then you pay no tax.

Note that the rebate is one tenth of the allowance.

Who gets it?

Married couple's allowance was abolished for most couples from April 2000. But it is still available to a married couple or registered civil partners who live together where at least one spouse or partner was born before 6 April 1935. The amount of the married couple's allowance depends on the age of the older spouse.

- older spouse born before 6 April 1932 – £6,135
- older spouse born 6 April 1932 to 5 April 1935 – £6,065

Couples who marry in the future will get the allowance as long as at least one of them was born before 6 April 1935.

The rules about which spouse or partner gets the married couple's allowance changed on 5 December 2005.

- For couples first entitled before 5 December 2005, it is normally the husband who is entitled to the married couple's allowance.
- For couples first entitled from 5 December 2005, it is the spouse or partner with the higher income who is entitled to the allowance.

Only one member of an entitled couple will get the married couple's allowance. However, some of the married couple's allowance can be transferred to the other spouse in two ways. These transfers are unlikely to help couples where the married couple's allowance was first claimed on 5 December 2005 or later.

Firstly, if the other spouse or partner asks before the start of the tax year, they can have £1,175 of the allowance transferred to them. They do not need the agreement of their spouse or partner. They can have £2,350 transferred to them with agreement.

It may be worth arranging the transfer if the other spouse pays tax at a higher rate, or the spouse or partner wants a share of the married couple's allowance. The full married couple's allowance cannot be transferred, only the first £2,350.

You have to ask for the transfer before the start of the tax year, so it is too late to do it for 2006/07. If you want to do it for 2007/08, then you must apply by 5 April 2007.

Secondly, if the income of the entitled spouse is too low to make use of all the married couple's allowance, then the amount they cannot use can be transferred to the other spouse. This rearrangement can be done up to six years after the end of the tax year. Contact your local Revenue & Customs Enquiry Centre for more information.

Table 2: **Married couple's allowances 2006/07**

	Allowance	Rebate (10% of allowance)
Other partner has none of it		
Value to other partner	nil	nil
Value to entitled partner		
71 to 74	£6,065*	£606.50*
75 or more	£6,135*	£613.50*
Other partner has £1,175 of it		
Value to other partner	£1,175	£117.50
Value to entitled partner		
71 to 74	£4,890*	£489.00*
75 or more	£4,960*	£496.00*
Other partner has £2,350 of it		
Value to other partner	£2,350	£235.00
Value to entitled partner		
71 to 74	£3,715*	£371.50*
75 or more	£3,785*	£378.50*

* These allowances will be reduced if the entitled partner's total income is more than about £24,600.

- For marriages or registered partnerships that begin in 2006/07, one twelfth of the allowance is given for each complete 'tax month' after the date of the ceremony.
- For marriages that took place before 5 December 2005 'entitled partner' means the husband.
- For marriages or civil partnerships that took place after 5 December 2005 'entitled partner' means the spouse or civil partner with the higher income.
- 'Other partner' means the partner who is not the entitled partner.
- The amount of **married couple's allowance** depends on the age of the older spouse or partner at 5 April 2007. Age ranges refer to the age of the older member of the couple.

Year of marriage

Couples who marry or become civil partners during the tax year get one twelfth of the married couple's allowance for each complete 'tax month' after the date of their ceremony. 'Tax months' start on 6 April.

Married couple's allowance should be applied automatically but HM Revenue and Customs does make mistakes so it is always worth checking, especially because of the changes which happened last year.

Higher incomes

If your income in 2006/07 is more than about £24,600 then you may lose some of your married couple's allowance. The income that counts is that of the partner who is first entitled to it – the husband for marriages before 5 December 2005 and the spouse or civil partner with the higher income for marriages and civil partnerships on or after 5 December 2005. This rule applies even if some of the allowance has been transferred to the other spouse or partner (see page 14).

Work out your total income by adding up interest on investments or savings, the grossed up dividend income, and other income including pensions and earnings from the boxes on page 20. If the entitled person has an income above £20,100 any personal age-related allowance is reduced first. Then the married couple's allowance is reduced if their income exceeds £24,590 (aged 71–74) or £24,870 (aged 75 or more).

For example, a married man of 72 with a wife of 70 has his personal allowance reduced from £7,280 to £5,035 if his income is £24,590 or more. Then his married couple's allowance of £6,065 is reduced and will be cut to the minimum £2,350 if his

income exceeds £32,020. The same overall figure applies even if his wife claims some of the married couple's allowance.

If your income is in this zone it might be worth considering one of the tax-free savings schemes mentioned earlier (see page 6). Any income from these schemes is ignored completely when working out your total income.

Work out your married couple's allowance. Remember if you marry or become civil partners in this tax year you only get one twelfth of the allowance for each complete tax month after your ceremony. Take account of the rules for reducing these allowances if your income is more than about £24,600. Write the answer down in the **married couple's allowance** box on page 20.

Do I pay tax at all?

The level of income at which you start paying tax is called your **tax threshold**. For unmarried people and married couples or civil partners who were both born on 6 April 1935 or later, it is easy to work out your tax threshold. If your income is no more than your personal allowance then you don't have to pay any tax. If you get the blind person's allowance, add that to your personal allowance and the total gives your tax threshold.

However, this method does not work if you get the married couple's allowance. In that case your threshold depends not only on how much income you have, but where it comes from. If the income on top of your full tax allowances is from interest you will have a different tax threshold than if it is from earnings or a pension.

Table 3: **Tax thresholds 2006/07**

Person who doesn't get married couple's allowance

Age	Threshold
Less than 65	£5,035
65 to 74	£7,280
75 or more	£7,420

Person who gets full married couple's allowance

	Income from:	
	Savings	Other
Age less than 65		
Spouse or partner's age		
71 to 74	£9,142	£8,964
75 or more	£9,177	£8,996
Age 65–74		
Spouse or partner's age		
71 to 74*	£11,387	£11,209
75 or more	£11,422	£11,241
Age 75 or more	£11,562	£11,381

* Can be any age under 74 if entitled partner is 70 or more.

- Add £1,660 to your threshold if you get the blind person's allowance.
- These figures assume that one partner claims all the married couple's allowance.
- All figures are rounded down to the nearest pound.
- If you marry or become a civil partner during the tax year, remember you will get less than the full married couple's allowance and your threshold will be different.

So, for example, for a married man aged 70 with a wife under 75 the tax threshold – the income at which he starts paying tax – is his personal tax allowance of £7,280 plus:

- £4,107 if this extra income is all from savings; or
- £3,929 if his income on top of his allowances is from other income, including pension or earnings.

And for a married man aged 76 the tax threshold – the income at which he starts paying tax – is his personal tax allowance of £7,420 plus:

- £4,142 if this extra income is all from savings; or
- £3,961 if his income on top of his allowances is from other income such as a pension or earnings.

If your income is a mixture of the two then the threshold is somewhere in between.

It is important to know your tax threshold:

- If your income is below your tax threshold you do not have to pay tax and need not worry with the calculations!
- If you are part of a couple and one partner pays tax but the other does not, then it may be worth moving savings from the taxpayer's name to the other partner's name so that the income escapes tax. The non-taxpaying partner should try to bring their income up to their tax threshold but no further.

Work out your tax threshold. Write it down in the **tax threshold** box on page 20.

How much tax will I pay?

Interest on investments or savings:

Income from dividends:

Other income including pensions and earnings:

Full tax allowances:

Married couple's allowance:

Tax threshold:

If your income added up from the first three boxes is higher than your tax threshold, then you will have to pay tax.

Working out your tax is quite tricky and you may need to use a calculator. This calculation only works if your total income is less than **£38,335** a year.

Step 1

Add together the figures from the boxes for:

- **interest on investments or savings**
- **other income including pensions and earnings**

Write the total here:

Now subtract your **full tax allowances** from this income.

Write the result here. Call it R:

Step 2

Is R more than £2,150?

No: R is £2,150 or less.

Divide the result by ten and write the result here:

- If you do not get married couple's allowance this is the amount of tax you will pay.
- If you get married couple's allowance you will pay no tax.

Go to step 5

Yes: R is more than £2,150.

You now need to work out your savings interest and your other income after your tax allowances are taken off.

Is R more than the amount in your **interest on investments or savings** box?

Yes: R is more than my interest on investments or savings.

- Subtract your **interest on investments or savings** from R. The answer is your new total for the **other income including pensions and earnings** box on page 20. Cross the old amount out.
- The total in your **interest on investments or savings** box stays the same.

Go to step 3

No: R is less than – or the same as – my interest on investments or savings.

- R is your new **interest on investments or savings** total. Write it in the box on page 20. Cross out the old amount.

- Your new total for **other income including pensions and earnings** is zero. Write zero in the box on page 20. Cross out the old amount.

Go to step 3

Step 3

Is your other income including pensions and earnings now £2,150 or less?

Yes: my other income is now £2,150 or less.

- Subtract your **other income including pensions and earnings** from £2,150. Call this A.
- Subtract A from your **interest on investments or savings** income. Call this B.

- Multiply B by 0.2.

Write that answer here:

- Then add £215 and write the total down here:

This is C.

Go to step 4

No: my other income is now more than £2,150.

Subtract £2,150 from your **other income including pensions and earnings**.

Write it here:

- Multiply the answer by 0.22.

Write that here:

Call it A.

- Now multiply your **interest on investments or savings income** by 0.2. Write that here:
Call this B.

- Add A and B and £215, and write the total down here:
This is C.

Go to step 4

Step 4

Do you get any married couple's allowance?

No: I don't get married couple's allowance.

C is the amount of tax you should have paid in 2006/07.

Go to step 5

Yes: I do get some married couple's allowance.

Divide the amount in the **married couple's allowance** box on page 20 by ten and write it down here:

Call this amount M.

- **If C is smaller than M** you should pay no tax. If you have investment income you should be able to claim back some of the tax that has already been deducted from it.
- **If C is bigger than M** subtract M from C. The answer is the amount of tax that you should have paid in 2006/07.

Go to step 5

Step 5

The amount of tax due in 2006/07 should have been deducted either from your earnings or pension or from your interest. If the total amount deducted in the year is more than the figure you

have worked out, or if you have worked out you should pay no tax, you should get your tax checked by your employer or pension provider.

If you have paid too much tax on your interest from savings or investments, you can claim it back. See page 26 for details of how to do that.

Tax on your pension

It is possible, especially if you are a woman aged 60 to 64, that your tax allowances will not be enough to cover your State Retirement Pension, including the graduated, additional and extra pension you may have added on to the basic pension. So you could end up having to pay tax on your State Retirement Pension alone.

If your pension seems likely to exceed your tax allowances, then HM Revenue and Customs should send you a short self-assessment form. You will have to pay the tax in one instalment. If that will cause you any hardship, write to your tax office.

Tax codes

Tax codes are simply a way of collecting the tax you have to pay from regular income such as earnings or a company or personal pension. Tax codes are a rough and ready way of collecting tax which can mean you may end up paying too little or too much tax during the tax year. If that happens, you can get your tax adjusted after the end of the tax year.

If you have earnings or a company or personal pension, it will be taxed before you receive it. The income tax office issues a tax code for you so that the tax due can be calculated. You will be sent a copy of the Notice of Coding which shows how the tax code is calculated.

The tax code is worked out as follows. Your State Retirement Pension is deducted from your tax allowances to leave the amount of income you can have before paying any tax.

For example, your personal allowance may be £7,280 and your State Retirement Pension £92.68 a week or £4,819 a year. £7,280 minus £4,819 equals £2,461. So you can have £2,461 a year on top of your State Retirement Pension without paying tax.

This figure is converted to a tax code by knocking off the last figure, making 246. The code is used to calculate the tax due. In the case above, you'd pay tax on any amount above £2,469 (codes are rounded up to the nearest '9').

Your code consists of numbers and letters. For example, the code above would be 246P. The letters listed below show the tax allowance you get:

- L** Personal allowance under 65.
- P** Personal age-related allowance aged 65 to 74.
- V** Age-related allowance and full married couple's allowance, both under 75 and tax due at basic rate.
- Y** Personal allowance aged 75 or more.
- T** None of these codes describes your circumstances or you have asked the tax office to keep your tax code letter secret.
- K** Is placed before the code number and means your state benefits come to more than your tax-free allowances so your company pension is taxed at a higher rate to ensure that the tax due on the State Retirement Pension is collected.

If you are entitled to the married couple's allowance your tax code will be adjusted by a small amount to ensure that the correct amount of tax is deducted using tax codes. This adjustment may well give the wrong answer. So it is important

that anyone who gets the married couple's allowance and has a tax code checks that the correct tax has been deducted at the end of the year.

It is also important to check that the amount deducted for your State Retirement Pension is accurate – it may not be.

If you were born between 6 April 1941 and 5 April 1942 you are old enough to get the age-related allowance for the whole of 2006/07. However, HM Revenue and Customs will not apply it from the start of the tax year unless you ask them. Contact your tax office at once if this applies to you.

If you think you have paid too much tax through PAYE, wait for your end of tax year P60 from your employer or pension provider. That should show your income and how much you have paid in the tax year. Send a copy of that to your tax office explaining what you think is wrong. Alternatively, contact one of the organisations listed on pages 29 and 30.

You can find out more about tax codes from www.hmrc.gov.uk/pensioners/tax_codes_index.htm

Claiming tax back

More than one and a half million people, including many older people, have not reclaimed tax they are owed. HM Revenue and Customs says that there is £300 million waiting to be reclaimed. If you do not normally pay tax, but tax has been deducted from interest paid since April 2000, then contact your tax office to make a claim. Even if you do pay tax and your income is within about £2,100 of your tax allowances you should also contact your tax office, as you may be able to claim back some money.

Anyone who pays no tax (or who should only pay tax on some of their investment income) can claim tax back on their bank or building society interest. If you are owed more than £10 you can reclaim it at any time. You do not have to wait until after the end of the tax year. If you think you may be due a refund, you should contact your tax office. Ask for form **R40**. If you paid too much tax in previous years, you can claim it back to 2000/01 as long as you claim it by 31 January 2007. You will need one form for each year you are claiming for.

If your total income is too low to pay any tax at all, then you can register with your bank or building society and have the interest paid to you gross. If you don't register, tax will be deducted automatically at 20p in the pound. If you could register but don't, you will have to complete a form to reclaim the overpaid tax. Contact your local Revenue & Customs Enquiry Centre and ask for form **R40**.

To register for interest to be paid to you gross, complete form **R85**. Your bank may have a copy, or ask your local Revenue & Customs Enquiry Centre for one. Unfortunately a useful leaflet on paying tax on bank and building society interest has been withdrawn. But you can read an online version on the HM Revenue & Customs website at **www.hmrc.gov.uk/taxback** If you need more advice, call the Taxback Helpline on **0845 077 6543**. Or you can register to receive your interest gross by calling the Registration Helpline on **0845 980 0645**.

Investment income from jointly owned assets, such as a joint account in a bank or building society, is normally divided equally between the two partners. If you jointly own assets but in unequal shares, then the income can be divided unequally as long as you tell HM Revenue and Customs. If you do not say anything it will be taxed as if you owned it in equal shares. So if you have a joint account but only one partner pays tax, half the interest should be tax-free. Talk to your

bank or building society to see if it can pay half the interest without tax being deducted. Otherwise you can claim it back on form **R40**.

Self assessment

If you were sent a tax return in April 2006, it will be based on your income and allowances for 2005/06. Many older people who fill in a self-assessment form are now sent a Short Tax Return. It is simpler to complete – though it comes with a 24 page guide – and does not help you work out the tax due. Whichever form you get you should complete it by 30 September 2006 so HM Revenue and Customs can work out the tax you owe. If you leave it beyond 30 September you will have to work out the tax yourself. This will be more difficult if you get the short tax return.

You **must** return your form to HM Revenue and Customs by 31 January 2007, or you will be fined up to £100 – however, the fine can never exceed the amount of tax you owe. You will be charged interest if you do not also pay the tax you owe by 31 January. There are further penalties if you delay longer.

You must keep any documents relating to your income for at least one year and ten months after the end of the tax year ends (five years and ten months if you are self employed). You must also tell the tax office if your income changes significantly.

Contact your local Revenue & Customs Enquiry Centre for more advice. You can also get advice on self assessment in the evenings or at weekends by calling the HM Revenue and Customs Self Assessment Helpline on **0845 9000 444**.

Most pensioners are not affected by self assessment, so don't worry if you aren't sent a tax return. But if you are sent one you must complete and return it by 31 January 2007 or you will be liable to a penalty of up to £100.

Useful contacts

HM Revenue and Customs

You can get help and advice on tax issues from your local **Revenue & Customs Enquiry Centre**; look in the telephone book under 'Revenue & Customs' or 'Inland Revenue'. HM Revenue and Customs produces some leaflets on tax but many of the more useful ones have been withdrawn or are now only available online at **www.hmrc.gov.uk/leaflets** There is a special section of the website for older people at **www.hmrc.gov.uk/pensioners**

You can find out what leaflets are available and order them from the orderline on **0845 9000 404**.

If you write to HM Revenue and Customs you should get a reply within 15 days or a letter telling you how long it will take to respond to your query. If you have a complaint you should raise it with the tax office concerned and get the leaflet *COP1 Putting things right. How to complain*. Your local Citizens Advice Bureau may also be able to help.

Institute of Chartered Accountants

If your tax affairs are complex then you may need the help of an **accountant**. Make sure they belong to a professional body such as the Institute of Chartered Accountants. The Institute can put you in touch with local members. Call **020 7920 8100** or look at their website **www.icaew.co.uk** (**0131 347 0100** or **www.icas.org.uk** in Scotland). Always ask for an indication of the fee before committing yourself.

Low Incomes Tax Reform Group (LITRG)

LITRG has a useful website www.litrg.org.uk with a specific section for older people.

TaxAid

If you can't afford advice from an accountant, you can get free and independent advice on tax from the charity **TaxAid**. Phone **020 7803 4959** between 10am–12pm, Monday to Thursday, or look at www.taxaid.org.uk

Tax Help for Older People

Offers independent advice from qualified tax advisers for older people with a household income below £15,000 a year. Phone **0845 601 3321** or check the website www.taxvol.org.uk

This leaflet deals mainly with income tax. Inheritance tax may be due if someone dies leaving an estate worth more than **£285,000**. However, no inheritance tax is due on property or money left to a husband or wife or a registered civil partner. More information on inheritance tax is available from your local Revenue & Customs Enquiry Centre or Citizens Advice Bureau.

Help the Aged produces a range of free advice leaflets, including leaflets on welfare and disability benefits, pensions and money management. See the inside cover for details. A free *Will Information Pack*, which will help you to put your financial affairs in order, is also available. Contact our Wills and Legacies Department at the address on the back cover for a copy.

Contacting our services

Information and advice

Care fees Call 0500 76 74 76 (freephone) or use the form in www.helptheaged.org.uk

Benefits, care and housing options In Britain, call SeniorLine (0808 800 6565 or, in Northern Ireland, 0808 808 7575).

Equity release/home reversion/home income plans Call 0845 2300 820.

Wills and legacies Call 020 7239 1965 for our free will information pack or to arrange a visit from a specialist advisor.

Employment and job skills Call The Age and Employment Network on 020 7843 1590.

Home support

Home security and fire safety devices Call the HandyVan service on 01255 473999.

Immediate-response/monitoring service (24-hour) to help protect people living alone. Call SeniorLink, 01255 473999.

Gifted housing Support service to help people stay independent in their own homes. Call 01225 447800.

Quality of life

Transport Our SeniorMobility scheme helps voluntary groups provide transport in their communities. Call 020 7239 1825.

Home shopping Items to make everyday living easier, safer, more comfortable and more enjoyable. For a catalogue, call 0870 770 0441.

Insurance Travel and motor* insurance services with no age barriers; also home and pet insurance. Call 0800 41 31 80.

Help in a crisis

SeniorLink 24-hour immediate-response service (England, Scotland and Wales). Call 01255 473999.

CareLine (Northern Ireland). Call 02890 230 666.

*Motor insurance is not available to Northern Ireland residents

Help the Aged produces 24 free advice leaflets (see inside for full list). These are available from the Information Resources Team at the address below, email adviceleaflets@helptheaged.org.uk or fax 0870 770 3282.

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Fighting for disadvantaged older people in the UK and overseas,

WE WILL:

COMBAT POVERTY wherever older people's lives are blighted by lack of money, and cut the number of preventable deaths from hunger, cold and disease

REDUCE ISOLATION so that older people no longer feel confined to their own home, forgotten or cut off from society

CHALLENGE NEGLECT to ensure that older people do not suffer inadequate health and social care, or the threat of abuse

DEFEAT AGEISM to ensure that older people are not ignored or denied the dignity and equality that are theirs by right

PREVENT FUTURE DEPRIVATION by improving prospects for employment, health and well-being so that dependence in later life is reduced

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