Inland Revenue

Income tax and pensioners

We produce a wide range of leaflets. Some we have mentioned which you might find useful are

IR45	What to do about tax when someone dies
IR110	Bank and building society interest. A guide for savers
IR170	Blind person's allowance
IR2008	ISAs, PEPs and TESSAs
CGT1	Capital gains tax. An introduction
IHT3	Inheritance tax. An introduction
SA/BK8	Self Assessment. Your guide

Our leaflets are available at **www.inlandrevenue.gov.uk** and from any Inland Revenue office or Enquiry Centre. Most offices are open to the public from 8.30am to 5.00pm, Monday to Friday. Addresses are in your local phone book under 'Inland Revenue' and at **www.inlandrevenue.gov.uk/local**

You can get most of our leaflets from our Orderline, seven days a week (except Christmas Day, Boxing Day and New Year's Day) by

- phone or textphone (for Minicom users) on **0845 9000 404** between 8.00am and 10.00pm

- fax on **0845 9000 604**

- e-mail at **saorderline.ir@gtnet.gov.uk**

- writing to
  PO Box 37
  St Austell
  Cornwall
  PL25 5YN.

Orderline calls are charged at local rates.

Your library or Citizens Advice Bureau may also have copies of some of our leaflets, but may not have them all.

We have a full range of services for people with disabilities, including leaflets in Braille, audio and large print. For details, please ask your local Inland Revenue office or Enquiry Centre.

Contents

Introduction

This leaflet will help you understand how income tax affects you as a pensioner. We give simple answers to the sort of questions people ask about income tax when they reach retirement. We want to make sure you pay only as much income tax as you need to, if you need to pay tax at all.

We also give some basic information on capital gains tax and inheritance tax to help you decide

- when you might need to pay
- if you need to pay at all, and
- where to go for more information.

If you think there is something we haven’t mentioned which might apply to you, please ask your local Tax Office or Inland Revenue Enquiry Centre for help. Look in your local telephone book under ‘Inland Revenue’ for the nearest one to you.

Do I need to have a reference number when I contact my Tax Office?

We might need to find your records, which could be at several Tax Offices depending on the type of income you have. It would be helpful if you can tell us your National Insurance (NI) number.

You will usually find your NI number on letters or notices sent to you by your Tax Office. It looks like this

AB 12 34 56 C

You will also find it on

- your pension book
- a payslip
- a form P60 (a certificate of PAYE income and deductions, which may be given to you by your pension provider or employer if you have one)
- a Notice of Tax Coding (P2)
- letters from the Inland Revenue National Insurance Contributions Office.

Is there anything I need to tell my Tax Office when I become a pensioner?

Yes. It is important that you tell us

- your date of birth, so that we can give you the correct allowances, and
- how much your state pension is and the date you will start getting it. Tell us as soon as you know. We can then change your PAYE tax code or include correct details in your tax statement, which we send you after the end of the year.

Taxable income

The amount of income tax you pay, if any, depends on the taxable income you have in a tax year. A tax year runs from 6 April to the following 5 April.

In this section we will tell you

- what sorts of income are taxable
- what sorts of income are not taxable
- how any joint income you have with your spouse will be taxed
- how to work out your taxable income.

What income is taxable?

- Your state retirement (old age) pension. More information about the tax treatment of state retirement pensions is given on page 30.

- Private pensions, such as pensions from previous employers, personal pensions, retirement annuities and Free-Standing Additional Voluntary Contribution Schemes (FSAVCS).

- Invalid care allowance and invalidity addition paid with a retirement pension.

- Widow's pension (for claims before 9 April 2001) or bereavement allowance.

- Widowed mother's allowance (for claims before 9 April 2001) or widowed parent's allowance.

- Incapacity benefit - all benefit paid in respect of new claims from 13 April 1995 (except benefit paid during the first 28 weeks of incapacity).

- Gross interest from a bank, building society or local authority. If tax has been taken off, you must add it back again. For example, if you get £80 interest from a savings account after £20 tax has already been taken off, the 'gross interest' is £100 (£80 + £20).

- Interest from National Savings and Investments (except Savings Certificates and the first £70 of interest from ordinary accounts with the National Savings and Investments Bank).

- Dividends from shares and UK authorised unit trusts (remember, when working out your total taxable income, you should add on any tax credit to the dividends).

- Other income from unit trusts (remember to add on any income tax deducted to the income).

- Any earnings from a job or business.

- Income from property.

- Taxable gains on life assurance policies.

- Your share of any joint income. If you are married, this is usually half the total amount.

What income is not taxable?

- Cold weather payments.
- Child Tax Credit or Working Tax Credit.
- Widow's payment (for claims before 9 April 2001) or bereavement payment.
- Incapacity benefit paid for the first 28 weeks of sickness.
- Incapacity benefit paid to someone who was receiving invalidity benefit paid before 13 April 1995, provided there has not been a break of more than eight weeks in the claim.
- Attendance allowance and disability living allowance.
- War disablement pension.
- War widow's pension.
- Income support (except where claimed by strikers in respect of adult dependants).

- Income from tax-free National Savings and Investments, such as Savings Certificates or the first £70 of interest on an ordinary account with the National Savings and Investments Bank.

- Interest, dividends, and bonuses from a Tax Exempt Special Savings Account (TESSA)*, unless you closed your TESSA before the five years were up.

- Interest and terminal bonuses under Save As You Earn schemes.

- Dividend and other income from a Personal Equity Plan (PEP)*, or interest from a PEP unless you withdraw more than £180 interest.

- Interest, dividends and other income from an Individual Savings Account (ISA)*.

- Premium Bond, National Lottery, and gambling prizes.

*See our leaflet IR2008 ‘ISAs, PEPs and TESSAs’ for details of these schemes.

I am married - how will any joint income I have with my spouse be taxed?

If you and your spouse hold any of the following in joint names, you are treated as if you own it in equal shares.

- Bank or building society accounts.
- Shares.
- Property which you rent out.
- Any other property which provides income.

Each of you is taxed on half the income, unless you tell your Tax Office otherwise. You will only have to pay tax on your half if you are liable to tax.

If you want to know more about this, please ask your Tax Office.

How do I work out my taxable income?

You need to add up your gross income for the tax year. Your gross income is the income you have received in the tax year, before any tax has been taken off, so you may need to add back any tax that has been taken off your income before you get it.

Filling in the table overleaf may help you.

	Amount received	Tax (or tax credit)	Gross amount
State pension			
Other pensions			
Interest on savings			
Dividends			
State benefits			
Earnings			
Any other income			
	Total taxable income		

Rates and allowances

Tax rates and bands of taxable income can vary from year to year. However, for the tax year 2003-04 (which starts on 6 April 2003 and ends on 5 April 2004) the rates of income tax and bands of taxable income are

starting rate of 10%	£0 - £1,960
basic rate of 22%	£1,961 - £30,500
higher rate of 40%	over £30,500

The starting rate band includes savings income. Savings income in excess of the starting rate band is taxed at the lower rate of 20% instead of the basic rate of 22% and at the higher rate of 40% on income above the basic rate band.

The rates of tax on dividends are 10% for income up to the basic rate band (£30,500 in 2003-04) and 32.5% above that.

Any Tax Office or Inland Revenue Enquiry Centre will be able to provide you with information about income tax rates for other years.

More information about capital gains tax and inheritance tax rates is given on pages 37 and 40.

What is my personal allowance?

A tax allowance is not a payment to you. It is a way of reducing the tax you pay on your income.

What personal allowance can I have?

Everybody gets at least one allowance - the personal allowance. This is an amount of income you can receive without having to pay any tax.

There are three different amounts of personal allowance. You can qualify for the higher amounts if you are aged 65 or over. For the tax year 2003-04, the amounts are

- £4,615 if you are under 65
- £6,610 if you are aged 65 to 74
- £6,720 if you are aged 75 or over.

You do not have to claim the personal allowance. You should get it automatically, but if you are aged 65 or over, don’t forget that your Tax Office will only know your age if you have told them or shown your date of birth on a tax return or claim form.

Whether you are entitled to all or part of the higher amounts due because of age can depend on your income. If all your income in a tax year does not exceed your personal allowance, you do not have to pay any income tax. You may be able to have more income in a year without paying tax if you are entitled to other allowances.

Can the amount of income I get affect the amount of personal allowance I get?

Possibly, but only if your income is above a certain 'income limit' - £18,300 in 2003-04.

Every year there is an income limit for the higher age-related allowances. If your income is more than £18,300 then it will affect your entitlement to these higher personal allowances.

For every £2 of income you have over the limit, you will have £1 taken off the higher amount of your personal allowance.

No matter how large your income, you will still get the basic personal allowance given to people under 65.

The examples on pages 14 - 16 should help you to understand how the personal allowance works. Remember, everyone's circumstances are different.

Example 1

John Smith retired on 31 December 2003, his 65th birthday. His income in 2003-04 is

Year's pay to retirement date	£9,000
Pension from former employer	£1,500
State retirement pension	£1,000
	£11,500

John's taxable income of £11,500 is below the income limit for 2003-04 of £18,300, so he is entitled to the full personal allowance for a person aged 65-74. In 2003-04, this is £6,610. John has to pay tax on his taxable income after his personal allowance is taken off.

Taxable income	£11,500
less personal allowance	£6,610
	£4,890

In the tax year 2003-04, John's tax bill will be

£1,960 at 10%	£196.00
£2,930 at 22%	£644.60
	£840.60

Example 2

Ann Jones is aged 76. Her income in 2003-04 is made up of

Pension from former employer	£15,600
State retirement pension	£3,100
Income from property	£1,000
War widow's pension	£800
Interest from National Savings and Investments Bank ordinary account	£40
	£20,540

Ann's war widow's pension is not taxable and the interest from her National Savings and Investments Bank ordinary account is less than £70, so it is not taxable income either. So Ann's total taxable income is

Pension from former employer	£15,600
State retirement pension	£3,100
Income from property	£1,000
	£19,700

Ann's total taxable income of £19,700 is £1,400 above the limit of £18,300, which means that her personal allowance is reduced by £1 for every £2 of income above the limit. This means it is reduced by £700, or half of £1,400.

In 2003-04, the full personal allowance for a person aged 75 or over is £6,720. Ann's personal allowance of £6,720 minus £700 works out at £6,020. Ann has to pay tax on her taxable income after the personal allowance is taken off.

Taxable income	£19,700
less personal allowance	£6,020
	£13,680

In the year 2003-04, Ann's tax bill will be

£1,960 at 10%	£196.00
£11,720 at 22%	£2,578.40
	£2,774.40

Blind person's allowance

The blind person's allowance allows you to receive an amount of income without having to pay tax. It is an extra amount which is added to your personal allowance. The amount of the blind person's allowance is the same for everyone who can claim it, whatever their age or their level of income. In 2003-04 the amount is £1,510.

You can claim the blind person’s allowance if

- you are registered as blind with a local authority in England or Wales, **or**

- you live in Scotland or Northern Ireland and your eyesight is impaired to the extent that you are unable to perform **any** work for which eyesight is essential.

If you think you might be eligible to claim this allowance, contact your local Tax Office.

A married couple who both qualify for the blind person’s allowance can claim an allowance each. If you are married and living with your spouse and you are unable to use all your blind person’s allowance, you can transfer the unused part to your husband or wife to reduce the tax he or she has to pay. For more information see leaflet IR170 ‘Blind person’s allowance’.

Married couple’s allowance

Married couple’s allowance can only be claimed by couples in which at least one partner was born before 6 April 1935. If you marry and either you or your new spouse was born before 6 April 1935, you can start to claim the married couple’s allowance from the year of marriage.

How is the married couple's allowance given?

The married couple's allowance is restricted to give relief at a fixed rate of 10%. This means that, unlike the personal allowance, the married couple's allowance is not income you can receive without having to pay tax. Instead, it reduces your tax bill by up to a fixed amount. This amount is calculated as 10% of the amount of the allowance you are entitled to.

In 2003-04 there are two different amounts of married couple's allowance.

- £5,565 at 10%, if either you or your spouse were born before 6 April 1935 but aged under 75 (so it is worth up to £556.50 off your tax bill).

- £5,635 at 10%, if either of you are aged 75 or over (so it is worth up to £563.50 your tax bill).

Don't forget that your Tax Office will only know your age if you have told them or shown your date of birth on a tax return or claim form.

The married couple's allowance is made up of two parts

- a **minimum amount** (in 2003-04 of £2,150)

- a **second amount** dependent on you or your spouse's age bracket
  - £3,415 (if you or your spouse was born before 6 April 1935 but is under 75)
  - £3,485 (if you or your spouse is 75+).

When these two parts are added together they come to

- £5,565 (if you or your spouse was born before 6 April 1935 but is under 75)

- £5,635 (if you or your spouse is 75+).

The minimum amount will always be due whatever the level of the husband's income. The age related amount can be reduced if the husband's income exceeds certain limits, see page 13.

Whatever the level of the allowance, it is normally reduced in the year of marriage to take account of the time of the year before the marriage.

Who gets this allowance?

The husband will normally get the allowance. However, you can jointly decide which of you will get the minimum amount of the allowance. Alternatively, you can decide to have the minimum amount of the allowance split equally between you.

The remaining part of the allowance due because of age must go to the husband unless he does not have sufficient income to use it.

How do we arrange for the minimum amount of the allowance to be split equally or transferred from husband to wife?

You will need to tell your Tax Office what you want to happen before the start of the new tax year, which begins on 6 April. In the year you get married, the minimum amount of the allowance can be split or transferred immediately.

It is very simple to do. Ask your Tax Office for a Form 18 to complete. If you need help filling in the form, your Tax Office will help you.

Once you have done this, the change will apply until you decide to alter it. You do not need to complete a new form every year. If you do want to alter it, the new arrangements will take effect at the start of the tax year after you have told the Tax Office about the change.

What if I cannot use all my share of the married couple's allowance?

If you do not have enough income to use all of your share of the married couple's allowance, you can transfer the unused part of it to your husband or wife.

If you think this might apply to you or you are not sure, get in touch with your Tax Office. If you do not have one, ask your husband or wife to get in touch with his or her Tax Office.

If you are unsure about what the exact amount of unused allowances will be, we can estimate the amount and transfer it on a provisional basis. Soon after the end of the tax year, we will check the estimate against your actual income to see if the right amount of tax has been paid.

Can the amount of income I get affect the amount of married couple's allowance?

Possibly. Like the personal allowance, the married couple's allowance can be gradually reduced at the rate of £1 of the allowance for every £2 of income above the income limit (£18,300 in 2003-04).

The amount of married couple's allowance can only be affected by the husband's income, and it only starts to be affected if his personal allowance has already been reduced back to the basic level for people under 65. The wife's income never affects the amount of the married couple's allowance. It does not matter whether all or part of the minimum amount of the allowance has been transferred to her.

Whatever the level of the husband's income, the married couple's allowance can never be reduced below a minimum level. In 2003-04 this minimum amount is £2,150 at 10%.

The examples on pages 23 and 24 should help you to understand how the married couple's allowance works. Remember, everyone's circumstances are different.

Example 3

George and Sue are a married couple. He is aged 69 and she is aged 62. In the year 2003-04, George has total taxable income of £15,000 and claims the full married couple's allowance (MCA). His income and allowances are as follows

Taxable income	£15,000
less personal allowance	£6,610
	£8,390

In 2003-04, George's tax bill will be

£1,960 at 10%	£196.00
£6,430 at 22%	£1,414.60
	£1,610.60
less married couple's allowance (£5,565 at 10%)	£556.50
	£1,054.10

Example 4

Joy and Jonathon are a married couple. They are both retired. He is aged 78, and she is aged 75. They agree to share the minimum amount of the married couple's allowance between them. In the tax year 2003-04, Jonathon has a total taxable income of £11,000.

Taxable income	£11,000
less personal allowance	£6,720
	£4,280

In 2003-04, Jonathon's tax bill will be

£1,960 at 10%	£196.00
£2,320 at 22%	£510.40
	£706.40
less MCA £5,635 - £1,075 (half the minimum amount) (£4,560 at 10%)	£456.00
	£250.00

In the tax year 2003-04, Joy has a total taxable income of £9,000

Taxable income	£9,000
Less personal allowance	£6,720
	£2,280

In 2003-04, Joy's tax bill will be

£1,960 at 10%	£196.00
£320 at 22%	£70.40
	£266.40
less half the minimum amount of MCA from Jonathon (£1,075 at 10%)	£107.50
	£158.90

What happens to my tax allowances if my circumstances change?

What happens to our allowances if we separate or get divorced?

In the year of separation or divorce, each spouse will continue to receive married couple's allowance according to the arrangements in place at the time of separation. For the following tax year no married couple's allowance will be due to either partner.

What about maintenance payments?

Maintenance payable on or after 6 April 2000 will qualify for tax relief only where one or both of the parties to the marriage was born before 6 April 1935. You can get tax relief on the maintenance payments you make if all the following conditions are satisfied.

- You make payments under
  - a Child Support Agency assessment
  - a court order, or
  - a written agreement which is legally binding.

- You make the payments to your former or separated husband or wife.

- Your former husband or wife has not remarried.

- The payments are for his or her own maintenance, or for his or her maintenance of a child under 21 of whom you are both the parents, or whom you have treated as a member of your family.

The tax relief is limited to the same amount, and is given in the same way as the basic married couple's allowance - that is, up to £2,150 at 10% in 2003-04.

You may be able to get tax relief if you make maintenance payments under a foreign court order or written agreement. For more information, contact your local Tax Office.

What happens in the year we marry?

The husband

- can claim one twelfth of the married couple's allowance for each, whole or part, tax month of his marriage (a tax month runs from the 6th day of one month to the 5th day of the following month), or

- can continue to get any married couple's allowance he is receiving for a previous marriage which existed at the beginning of the year.

The wife

- can have half of the minimum amount of the married couple's allowance the couple are entitled to for the new marriage (and can jointly agree with her husband to have the other half of the minimum amount transferred to her), or
- she can continue to get any married couple's allowance she is receiving for a previous marriage.

What happens if my husband or wife dies?

The allowances you get in the tax year in which your husband or wife dies can be used against any income you have in that year.

If your husband dies

In that year you will get both the personal allowance and any share of the minimum amount of married couple's allowance you have. You can also have any part of your late husband's married couple's allowance, which cannot be used against his income. In the following year, you get the personal allowance.

If your wife dies

In that year you will get both the personal allowance and any share of the married couple's allowance you have. You can also have any part of your late wife's share of the minimum amount of the married couple's allowance, which cannot be used against her income. In the following year, you get the personal allowance.

How will my tax allowances be shown in my PAYE tax code?

The rate of relief for some allowances is restricted to 10%, and they reduce your income tax bill by up to a set amount. They are

- the married couple's allowance
- relief given for maintenance payments up to an amount of £2,150.

They are shown in a special way in your tax code. As well as the full amount of the allowance shown on the left-hand side of your coding notice, most people will have a reduction, shown as 'Allowance restriction', on the right-hand side. This makes sure that the tax you pay is reduced by the correct amount.

Relief for your allowances is given at your highest rate of tax. The ‘Allowance restriction’ in your tax code collects extra tax to bring your tax relief down to the 10% rate on your restricted allowances. Having the allowance means that you pay less tax than you would do otherwise.

We will check these restrictions after the end of the tax year. Let your Tax Office know about any substantial changes in your income so that they can check the restriction in your code.

If you want more information about these restrictions, Inland Revenue Enquiry Centres and Tax Offices can give you factsheet FS1 ‘Allowance restrictions’.

The personal allowance and the blind person’s allowance work in a different way to the allowances mentioned above. They allow you to receive an amount of income without having to pay tax, and they are not restricted. The full amount of these allowances is shown on the left-hand side of your coding notice. There is no ‘Allowance restriction’ for these allowances.

How will I be taxed on my state retirement pension?

Tax will not be deducted from your state retirement pension before you receive it. If you have other income on which you have to pay tax, such as an occupational pension, we will adjust your PAYE code to take account of your state retirement pension. This means that when you start to receive your state retirement pension, more tax will normally be deducted from your earnings or occupational pension.

The amount of state retirement pension on which you are taxed in any tax year is the amount you would have been paid had you chosen to receive your pension weekly. Although you may get your pension monthly or quarterly, this does not affect the way we work out the tax due on your pension.

There are two other points worth remembering about state retirement pensions, they are

- for tax purposes, we treat a married woman’s state retirement pension as her income even if it is paid as a result of her husband’s contributions

- a state retirement pension may include an extra amount, known as the ‘adult dependency addition’. For example, this could be paid where the pensioner’s husband has not reached the state pension age. We treat the adult dependency addition as part of the taxable income of the person who it is paid to.

Do I have to pay income tax on the interest from my savings?

It depends on the amount of your taxable income and the allowances you can claim.

Generally, before banks, building societies and local authorities pay you your interest they have to take tax off at the rate of 20%. If your total taxable income is covered by your tax allowances, you should not be paying any income tax. You can arrange for your bank, building society or local authority to pay your interest without tax taken off by completing form R85. This is called ‘registering’ your account.

If you could have registered your bank, building society or local authority accounts, but have not done so, you can claim back the tax that has been overpaid. If you are not eligible to register, because your taxable income is more than your tax allowances, but the tax taken off your interest is more than the tax that you are due to pay, you can claim back the tax that has been overpaid.

You can find out more from our booklet IR110 ‘Bank and building society interest. A guide for savers’. It explains how to work out

- if you can register to get your interest without tax taken off, and
- if you can claim tax back.

If you have registered your account to get your interest without tax taken off and then find that you should be paying tax, tell your bank, building society or local authority immediately. They will start to take tax off interest paid to your account.

For example, your income might increase if you become entitled to a state retirement pension and you may have to start paying tax. Remember that, whether or not you have registered for interest to be paid with no tax taken off, you must include the gross amount of interest (that is the figure before tax is taken off) when working out your taxable income.

How do I claim tax back?

If you know which Tax Office deals with your affairs, and you haven't received a Repayment Claim form, you should complete a form R40(SP)(M). You can get this form from any Inland Revenue Enquiry Centre or Tax Office, together with guidance notes on how to complete it. Once you have completed the form send it to your Tax Office.

If you already receive a Repayment Claim form each year, your Tax Office will continue to send you a form automatically. All you have to do when you receive the form is fill it in and send it back.

If you don't know where your Tax Office is, look at the list at the end of this guide. It shows which areas are dealt with by the Inland Revenue Offices (IRO) that specialise in repayment claims. Complete the form R40(SP)(M) and send it to the IRO that handles claims for your area. For example, if you live in Norfolk, send the form to Leicester and Northants. The IRO Address List is on pages 52 and 53.

You will need your bank or building society statements or passbooks, or certificates showing the amount of tax taken off your interest to help you complete the Repayment Claim form.

Bank and building society certificates, statements and passbooks, and company dividend vouchers

Some banks and building societies automatically issue certificates showing the amount of tax taken off your interest. If yours does not automatically issue certificates, you can get them by writing to the branch where your account is held. You should keep all these tax deduction certificates, and your bank or building society statements and passbooks in a safe place as you will need them to help you fill in your claim form.

Companies that pay you dividends automatically send you a voucher showing the dividend and any tax credit. Again, you should keep all these vouchers.

Another reason why you should keep your certificates (or other records) in a safe place is that we may ask to see them to check the accuracy and completeness of your claim. All claims are checked, but we will only ask to see certificates (or other records) in a certain proportion of claims. If this is the case, **please send us the original certificates**, not photocopies.

How long should I keep the certificates?

Typically, you should keep the certificates (or other records) for about two years from the end of the tax year for which your claim is made, as you may be liable to a penalty if you do not do so. If you have lost your certificates or statements, ask your bank or building society for duplicates (though they might charge for these).

How long does it take for a repayment to be made?

Even if we carry out a more detailed check, this does not mean that we think that anything is wrong with your claim. Indeed, we will normally repay the amount claimed before writing to you to check the information on which the claim is based.

We will send repayments out as quickly as possible. Normally repayments are made **within 20 working days** of receiving a claim.

Can my retirement annuity be paid to me without tax being deducted?

Pensions are normally paid from retirement annuity contracts after basic rate tax has been taken off. If your total taxable income is covered by your tax allowances, you can ask your pension provider to pay your retirement annuity without deducting any tax. Ask your retirement annuity provider to give you form R89 to make your request.

If you are due to pay some tax, but less than the amount that has been deducted from your retirement annuity, you can ask us for a refund. Contact the IRO that deals with tax refunds for your area. The addresses and telephone numbers are shown on pages 52 and 53.

Do I have to pay capital gains tax?

You may have to pay capital gains tax if you sell an asset which is worth more than it was worth when you bought it.

Any form of property may be an asset for capital gains tax purposes. Common assets include

- stocks and shares
- land and buildings
- business assets.

However, the sale of some assets or the receipt of some amounts of some money are exempt, which means you will not have to pay capital gains tax on them.

For example

- private cars
- personal effects and goods worth £7,900 or less when disposed of
- Savings Certificates, Premium Bonds and British Savings Bonds
- gains made within a Personal Equity Plan (PEP) or Individual Savings Account (ISA), and bonuses from tax exempt special savings accounts (TESSAs)
- UK Government stocks (gilts)
- foreign currency for your or your family's personal use
- life assurance policies and deferred annuity contracts, unless bought from a third party
- betting, lottery or pools winnings
- Save As You Earn (SAYE) terminal bonuses
- compensation for mis-sold personal pensions taken out as a result of disadvantageous advice given between 29 April 1988 and 30 June 1994.

In most cases, tax is not due on any gains made when you dispose of your home.

In 2003-04 net capital gains (after deduction of allowable losses) over £7,900 are charged at 20% when income and gains added together do not exceed the basic rate limit (£30,500 in 2003-04), and at 40% where they exceed that limit.

Our leaflet CGT1 'Capital gains tax. An introduction', explains in more detail when you might have to pay capital gains tax, and what you should do in those circumstances.

What do I need to do about tax when someone dies?

Our leaflet IR45 'What to do about tax when someone dies' will help you understand the tax liabilities that may arise when someone dies. It gives information about income tax, capital gains tax and inheritance tax. There are sections about the responsibilities of personal representatives and trustees, and about the tax treatment of beneficiaries. You can get this leaflet from Inland Revenue Enquiry Centres and Tax Offices.

Will any inheritance tax be payable on my death?

It depends on your circumstances. Only around 3 in 100 of all estates pay any inheritance tax. There is a threshold, £255,000 for deaths after 5 April 2003, below which you do not have to pay inheritance tax. Generally, anything above the threshold is taxable at 40%, although there are a number of specific reliefs and exemptions which may apply.

We produce a series of leaflets which provide more information on inheritance tax. Our leaflet IHT3 'Inheritance tax. An introduction' is a good place to start.

What is Self Assessment?

Self Assessment is a way of working out and paying tax. It is not a new tax. It applies to everyone who gets a tax return.

The Self Assessment tax return

- is tailored to your circumstances
- has to be filled in with figures for all your income, gains, reliefs and allowances

- should be sent back by 30 September if you want us to work out how much tax you need to pay

- should be sent back by 30 September if you want us to collect your tax (less than £2,000) through PAYE where possible

- must be sent back by 31 January, or you have to pay a penalty.

Most pensioners don’t get a tax return and pay their tax through PAYE or other deduction at source arrangements. However, we may ask some pensioners with more complex affairs to fill in a tax return. If we send you a tax return, fill it in and send it back as soon as possible.

If you would like more information about Self Assessment, our leaflet SA/BK8 ‘Self Assessment. Your Guide’ is a good place to start.

Of course, you don’t have to wait for us to send you a tax return if you think your income is not being properly taxed, or if your circumstances change. The important thing is to let us know the details as soon as you can.

Do I have to keep any records about my tax affairs?

Everybody must keep records so that they can complete a tax return fully and accurately if they are asked to do so.

It makes sense to keep anything supplied to you by the Tax Office or your pension provider, or by your employer if you have one. For example

- a Notice of Tax Coding (P2)
- form P60 (a certificate of PAYE income and deductions, which may be given to you by your pension provider or employer if you have one)
- any other certificate of a pension you received and the tax deducted from it
- payslips
- details given to you by the Benefits Agency about your state retirement pension or other taxable social security benefits
- information from your bank or building society about interest on your account.

If you are not sure what records you should keep, ask your Tax Office or Inland Revenue Enquiry Centre for advice.

Where can I go for help?

Any Tax Office or Inland Revenue Enquiry Centre. Look in your local telephone book under ‘Inland Revenue’ for the nearest to you.

You can visit

We will probably be able to answer all your questions on the spot. If we need to look up your records, we will simply contact the Tax Office which holds your main record to get any information we need. We will be happy to explain anything you need to know. We will also give you any forms you might need and can explain how to complete them.

If necessary, at your request, the Tax Office that holds your records can send your papers to your local Tax Office for you to have a private interview.

If visiting a Tax Office is difficult because of disability or infirmity, you may be able to arrange a home visit by contacting your local office, if your query cannot be resolved on the telephone.

You can telephone

Calls to Tax Offices and Inland Revenue Enquiry Centres are charged at the national rate. Calls to the Orderline and Helplines are charged at local rates. If we cannot help you straightaway we will call you back.

You can write

The address you should write to will be on forms and letters you receive from your Tax Office. If you have communications from more than one Tax Office you should write to the office that sends your tax return. If you do not receive a tax return you can contact staff at your local office who will be able to assist you.

Complaints

Our leaflet Code of Practice 1 ‘Putting things right. How to complain’ explains our complaints procedure and when we pay compensation for mistakes we make.

Please tell us if you believe

- you have been denied your rights
- we have made a mistake
- you have been treated badly
- we have not acted in accordance with this Code of Practice.

To help you to do this and to avoid any further inconvenience, we have a straightforward and easy to use complaints procedure.

You can complain in writing, by phone or fax, or by visiting your local office. We will try to settle your complaint as quickly as possible. So if you have a complaint, please follow the steps overleaf.

Step one

When you have a complaint, it is usually best to contact the person you have been dealing with. You may however prefer to contact that person's immediate manager or the person in charge of the office. If you wish to do this phone the customer relations manager and they will tell you who to contact.

Step two

If you cannot settle your complaint at step one, contact the Director with overall responsibility for the office you deal with. We will tell you the name and address of the Director to contact. The Director will review the complaint objectively.

Step three

If you're not happy with the Director's response you can ask the Adjudicator to look into your complaint. The Adjudicator is a fair and unbiased referee whose recommendations are independent. You can contact the Adjudicator at

The Adjudicator's Office
Haymarket House
28 Haymarket
London
SW1Y 4SP.

Tel: **020 7930 2292** (Typetalk facilities are available)
Fax: **020 7930 2298**

You can also contact the Adjudicator

- by e-mail at **adjudicators@gtnet.gov.uk**, or
- on the Internet at **www.adjudicatorsoffice.gov.uk**

The Adjudicator's Office leaflet AO1 (available from the Adjudicator's Office and Inland Revenue offices) tells you how to make a complaint and gives information on what the Adjudicator can look into.

If at any time you are not satisfied with the service you are receiving from us or from the Adjudicator, or with the handling of your complaint, you can ask an MP to refer your case to the Parliamentary Ombudsman. The Ombudsman will accept referrals from any MP, but you should approach your own MP first.

Further information is available from

The Parliamentary Commissioner for Administration
Millbank Tower
Millbank
London
SW1P 4QP.

Helpline: **0845 015 4033**
Fax: **020 7217 4160**

Or contact the Parliamentary Ombudsman

- by e-mail at **opca-enqu@ombudsman.org.uk**, or
- on the Internet at **www.ombudsman.org.uk**

You can also ask your MP to take up your case with the Inland Revenue or Treasury Ministers.

Inland Revenue Offices (IROs) dealing with Repayment Claims

AREA	INLAND REVENUE OFFICE
(former) Avon	Cornwall and Plymouth
Bedfordshire	Sefton
Berkshire	Cornwall and Plymouth
Buckinghamshire	Sefton
Cambridgeshire	Sefton
Cheshire	Glenrothes
(former) Cleveland	Sefton
Cornwall/Isles of Scilly	Cornwall and Plymouth
Cumbria	Sefton
Derbyshire	Leicester and Northants
Devon	Cornwall and Plymouth
Dorset	Cornwall and Plymouth
Durham	Sefton
East Sussex	Greater Belfast
Essex	Leicester and Northants
Gloucestershire	Greater Belfast
Greater Manchester	Glenrothes

Hampshire	Cornwall and Plymouth
Hereford/Worcester	Greater Belfast
Hertfordshire	Leicester and Northants
(former) Humberside	Sefton
Isle of Wight	Cornwall and Plymouth
Kent	Greater Belfast
Lancashire	Sefton
Leicestershire	Leicester and Northants
Lincolnshire	Leicester and Northants
Merseyside	Sefton
Middlesex	Sefton
Norfolk	Leicester and Northants
Northamptonshire	Sefton
Northumberland	Sefton
North Yorkshire/York	Sefton
Nottinghamshire	Leicester and Northants
Oxfordshire	Greater Belfast
Shropshire	Greater Belfast
Somerset	Cornwall and Plymouth
South Yorkshire	Leicester and Northants
Staffordshire	Greater Belfast
Suffolk	Leicester and Northants
Surrey	Glenrothes

Tyne and Wear	Sefton
Warwickshire	Greater Belfast
West Midlands	Greater Belfast
West Sussex	Cornwall and Plymouth
West Yorkshire	Leicester and Northants
Wiltshire	Cornwall and Plymouth
Northern Ireland	Greater Belfast
Scotland	Glenrothes
Wales	Greater Belfast
London	
E1-18	Leicester and Northants
EC1-4	Leicester and Northants
N1-22	Leicester and Northants
NW1-11	Sefton
SE1-29	Glenrothes
SW1, 3 , 5-7, 10, 13, 14, 19, 20	Sefton
SW2, 4, 8, 9, 11, 12, 15-18	Glenrothes
W1-14	Sefton
WC1 & 2	Sefton

Inland Revenue Offices (IROs) Address List

Cornwall and Plymouth	2 Penhaligon House Trinity Street St Austell Cornwall PL25 5BA Tel: **01752 209 600**
Sefton 1st Floor	The Triad Stanley Road Bootle Merseyside L69 9HB Tel: **0845 300 3939**
Glenrothes	Saltire House Pentland Park Glenrothes Fife KY6 2AL Tel: **01592 222500**
Leicester and Northants	Attenborough House 109-119 Charles Street Leicester LE1 1FY Tel: **0116 242 7349**

Greater Belfast

Beaufort House
31 Wellington Place
Belfast
BT1 6BP
Tel: **028 9050 5000**

These notes are for guidance only and reflect the position at the time of writing. They do not affect any right of appeal.

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