

# Personal Savings Allowance



On 6 April 2016 the way you pay tax on your savings changed. This guide will help you understand the changes and answer any questions you may have.

## What happened?

The Government changed the way tax is charged on the interest you earn on your UK savings accounts.

Previously, we automatically deducted 20% tax from the interest earned on your Charter Savings Bank accounts before we paid it to you (unless you'd registered to receive your interest gross).

On 6 April 2016, the Government introduced a tax-free Personal Savings Allowance: £1,000 a year for basic rate taxpayers and £500 a year for higher rate taxpayers. Additional rate taxpayers are not entitled to a Personal Savings Allowance.

This means that you will not pay tax on the first £1,000 of interest you earn (or £500 for higher rate taxpayers) on any savings you have with us or with another bank or building society.

## When did these changes take effect?

We stopped deducting tax from the interest we pay you from 6 April 2016.

## What happens to interest earned before 6 April 2016?

These changes only apply to interest **paid** on or after 6 April 2016, even if it was earned over a period before that date.

## What happens if I earn interest over the Personal Savings Allowance?

If you earn more interest than the Personal Savings Allowance, you'll have to pay the additional tax yourself through the PAYE system or by way of a self-assessment. The way interest is taxed depends upon your individual circumstances and may change in the future. It is your responsibility to ensure that any tax is paid.

## I am a basic rate tax payer, my partner pays tax at the higher rate. Which Personal Savings Allowance will apply to our joint account - £1,000 or £500?

You each have your own Personal Savings Allowance. The interest earned will be split equally between you for the purpose of determining how much interest you earn on your joint account.

## I previously registered my account to receive interest before tax is deducted (gross). What do I need to do?

You don't need to do anything. From 6 April 2016 all earned interest will be paid without tax being deducted.

## What if I have savings with other banks or building societies?

Your Personal Savings Allowance is based on the total amount of interest your savings earn. This includes any interest you may have earned on savings accounts with other banks or building societies.

## Does this affect interest earned in my ISA?

No, your Personal Savings Allowance excludes any interest earned from ISAs. By saving in an ISA, you do not pay tax on any interest earned on cash in your ISA.

Should you require any further information, please refer to [www.gov.uk](http://www.gov.uk).

The way interest is taxed depends on your individual circumstances and may change in the future.

The above information is based on our current understanding of the information released by HM Treasury. If you have any concerns as to how this change may affect you, you should seek professional tax advice.

**We can provide literature in large print, Braille and audio. Please ask us for this leaflet in an alternative format if you need it.**

All communications with us may be monitored/recorded to improve the quality of our service and for your protection and security.

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