



Abolishing tax on savings for 95% of savers

From April 2016 we're introducing a tax-free Personal Savings Allowance of £1,000 (or £500 for higher rate taxpayers) on the interest that you earn on your savings.

At Budget 2014, we announced that from April 2015 you won't have to pay tax on your interest if your taxable income is less than £15,600.

Today we're going further, so that from April 2016 95% of people will not have to pay tax on the first £1,000 (or £500 for higher rate taxpayers) of interest they earn on their savings. This is called a Personal Savings Allowance.

That means from April 2016, you won't have to pay tax on your interest if your taxable income is less than £16,800.

To be eligible for the £1,000 tax-free Personal Savings Allowance your taxable income needs to be less than £42,700 a year.

To be eligible for the £500 tax-free Personal Savings Allowance your taxable income needs to be between £42,701 and £150,000 a year.

Example 1	Earn £20,000 income a year + £250 in interest	From April 2016 you won't have to pay tax on your interest as it is within your £1,000 Personal Savings Allowance.
Example 2	Earn £20,000 income a year +£1,500 in interest	You won't need to pay any tax on your interest up to £1,000, but you will still need to pay tax on the £500 interest you have earned over your Personal Savings Allowance.
Example 3	Earn £60,000 income a year +£250 in interest	You won't have to pay tax on your interest as it is within your £500 Personal Savings Allowance.
Example 4	Earn £60,000 income a year + £1,100 in interest	As a higher rate tax payer you won't have to pay tax on your interest up to £500, but you will still need to pay tax on the £600 interest you have earned over your Personal Savings Allowance.

From April 2016 banks and building societies will stop automatically taking 20% in income tax from the interest earned on your non-ISA savings.