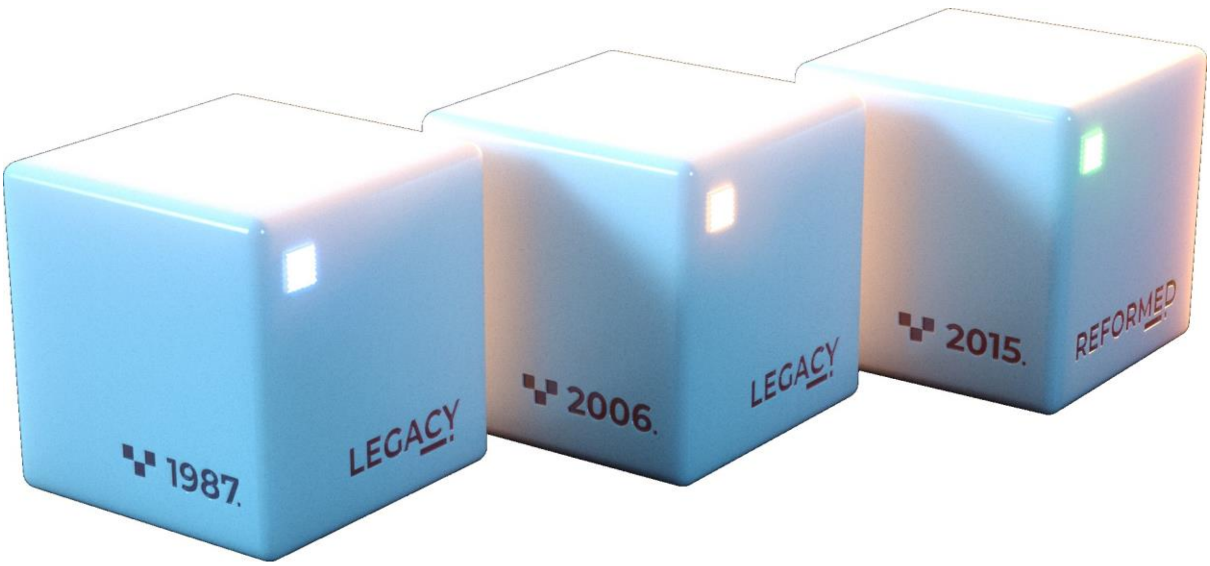
NPCC
National Police Chiefs' Council

# Member tax information
# Introduction to personal tax



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## Introduction

1. This document is for members of the police pension scheme to provide an introduction to personal tax covering all aspects including rates and allowances. This provides a lot of background information about how tax on various income is applied.
2. The information and rates quoted in this document are for the 2024/25 tax year and therefore relevant links have been provided throughout the document to the GOV.UK website so that the most up to date information can be found.
3. In the appendix of the document there are some case studies with example calculations to show the effect of pension contributions on income, including how tax is calculated across the different bands.
4. At the end of the document there is also a glossary with some useful terms explained.
5. Due to the complex nature of police pensions, taxation and remedy, the technical content of this document has been specifically commissioned by NPCC and written by specialist tax advisers KPMG.

# How earnings are taxed

## How earnings (employment income) taxed in the UK

6. Income tax in the UK is paid on the money you earn, that could be from
    - employment,
    - being self-employed,
    - receiving a pension, or
    - other forms of income, such as rental income from letting a property and income from investments (e.g. bank interest and dividends).
7. Specifically, you pay income tax on your employment income on your 'net taxable earnings' for the tax year (which runs from 6 April to 5 April).

### How to work out "net taxable earnings"

8. This is worked out by taking the money you have earned during the tax year and then deducting any allowable expenses, such as job related expenses or salary sacrifice.

*Job related expenses*

9. HMRC provide guidance on job-related expenses that qualify for tax relief and some examples are:

| | | | |
|---|---|---|---|
| Trade union memberships | Professional body memberships | Costs of uniform maintenance | Travel expenses which are not reimbursed by your employer |

Note: many forces already provide relief on payments such as Federation subscriptions and uniform cleaning, so officers would need to check if those are available before claiming.

*Salary sacrifice*

10. Forces may also have salary sacrifice schemes, where you exchange part of your salary for a non-cash benefit from your employer (for example bicycles, childcare vouchers or electric cars).

11. Certain benefits accessed through salary sacrifice are not subject to income tax or National Insurance Contributions (NIC). Therefore, choosing to sacrifice salary in return for such benefits will reduce the overall amount of tax you pay. Tax-free benefits include:

| | | | | |
|---|---|---|---|---|
| Payments into pension schemes | Employer provided pension advice | Workplace nurseries | Childcare vouchers and directly contracted childcare (started on or before 4 October 2018) | Bicycles and cycling saftey equipment |

Other benefits accessed through a salary sacrifice arrangement may still be chargeable to income tax and NICs as a taxable benefit.

12. More information is available at salary sacrifice for employers.

### Tax relief on pension contributions

13. Any pension contributions made by you towards a workplace pension scheme, such as the police pension scheme, generally qualify for tax relief and are deducted using a "net pay" arrangement. This means that it is your salary, after the deduction of your pension contributions to the police pension scheme, that is subject to income tax.

14. More information is available in the claiming tax relief on pension contributions section.

## How income tax is paid on UK employment income

15. Income Tax is paid on employment income via the Pay As You Earn (PAYE) scheme. Your employer deducts the income tax and National Insurance contributions (NIC), that they think you owe for the tax year. This is automatically collected from your monthly salary and paid over to HMRC on your behalf.

16. Any overpayments or underpayments are dealt with by HMRC after the end of the tax year. Depending on how much is owed / due back to you, this can either be: –

- Through an adjustment to your tax code or
- By way of cheque / bank transfer.

17. If you owe more than £3,000 of tax, then HMRC will not be able to collect this via a tax code adjustment. You will receive a simple assessment letter and you will be told how to pay the tax.

18. Further information on tax underpayments and overpayments is available on Gov.UK.

19. Sometimes, more income tax may be payable depending on your personal circumstances – for example, if you have earned money from other sources, as well as your salary as a police officer. If this applies to you, you can find out more about this in the taxation and other sources of income section.

## Rates of tax

### Working out the rate of tax you pay on income

20. UK income tax is calculated on a 'banded' basis. This essentially means that your income is broken down into different chunks (or bands), with different rates of tax applying to those separate bands.

21. Although the system works on a banded basis, your employer will essentially try and estimate your total taxable income from the year based on your tax code, and this will be used to even out and spread the tax payments across the tax year through the PAYE system.

22. Different rates of tax apply across the UK and where you are a taxpayer is generally based on where you live or which part of the UK you spend the majority of the tax year living in.

#### Personal allowance

23. Most individuals in the UK are entitled to a tax-free personal allowance[1]. This was set in April 2022 at £12,570 per year and is expected to remain at this level until April 2028).

24. Your personal allowance is the amount of income you can receive in any one tax year before paying income tax. For the 2024/25 tax year, this typically means that the first £12,570 of your income will not suffer any income tax at all.

**25.** Your personal allowance may be reduced (in some cases to nil) depending upon your individual circumstances. This might be where taxable income exceeds £100,000 per tax year, if certain allowances are being claimed, or if you have tax underpayments included with your tax code.

[1] Income tax rates and personal allowances - https://www.gov.uk/income-tax-rates

## Rates of tax

*England, Wales and Northern Ireland*

26. Any income in excess of the personal allowance is subject to income tax at the applicable tax rates.

27. The tax rates applicable to residents of England, Wales or Northern Ireland, for 2024/25 are as follows: –

**Personal allowance**
- Taxable income up to £12,570
- Tax rate = 0%

**Basic rate**
- Taxable income £12,571 to £50,270
- Tax rate = 20%

**Higher rate**
- Taxable income £50,271 to £125,140
- Tax rate = 40%

**Additional rate**
- Taxable income over £125,140
- Tax rate = 45%

*Scotland*

28. Different income tax rates have applied to taxpayers who live in Scotland since 6 April 2017. If you are a 'Scottish taxpayer' then your tax code should start with an 'S'.

29. The tax rates applicable to Scottish tax residents for 2024/25 are as follows:

**Personal allowance**
- Taxable income up to £12,570
- Tax rate = 0%

**Starter rate**
- Taxable income £12,571 to £14,876
- Tax rate = 19%

**Basic rate**
- Taxable income £14,877 to £43,662
- Tax rate = 20%

**Intermediate rate**
- Taxable income £26,562 to £43,662
- Tax rate = 21%

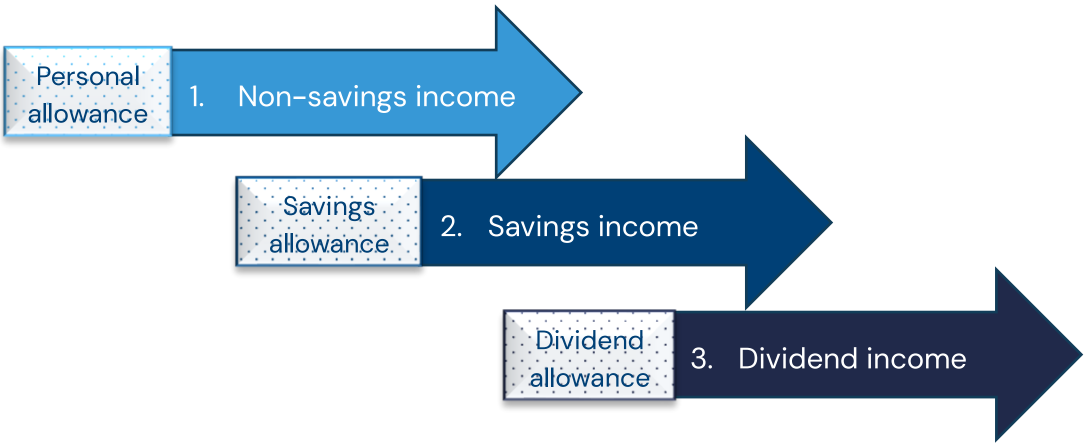
**Higher rate**
- Taxable income £43,663 to £75,000
- Tax rate = 42%

**Advanced rate**
- Taxable incme £75,001 to £125,140
- Tax rate = 45%

**Top rate**
- Table income over £125,140
- Tax rate = 48%

## Taxation and other sources of income

30. If you receive income from multiple sources, your total income for the tax year is looked at collectively. Income tax is calculated on your different sources of income in a specific order: –




### Non-savings income

31. Non-savings income is assessed and includes employment income, rental income, pension income, income from self-employment and property income.

32. Your personal allowance is how much non-savings income you can earn before you pay tax, normal rates of tax will apply.

### Savings income

33. Savings income includes any interest you earn from bank accounts, savings accounts, credit union accounts, building societies, corporate bonds, government bonds and gilts.

34. This does not include interest or investment returns earned on money held within ISAs or pensions, which are government-approved tax-free savings accounts.

35. Your savings allowance is how much savings income you can earn before you pay tax. The savings allowance available to you will depend on whether you are a basic rate, higher rate or additional rate taxpayer.

| Tax rate | Savings allowance |
|---|---|
| Basic rate taxpayer | Receives a £1,000 savings allowance |
| Higher rate taxpayer | Receives a £500 savings allowance |
| Additional rate taxpayer | Does not receive a personal savings allowance |

## Dividend income

38. Dividend income includes dividends received from companies and unit trusts.

39. Your dividend allowance is how much dividend income you can earn before you pay tax. The dividend allowance available to you is £500.

40. The tax rates on dividend income are the same across all of the UK as follows:

- 8.75% (basic rate) on income between £12,571 and £50,270,
- 33.75% (higher rate) on income between £50,271 and £125,140,
- 39.35% (additional rate) on income over £125,140.

# Higher rate taxpayers

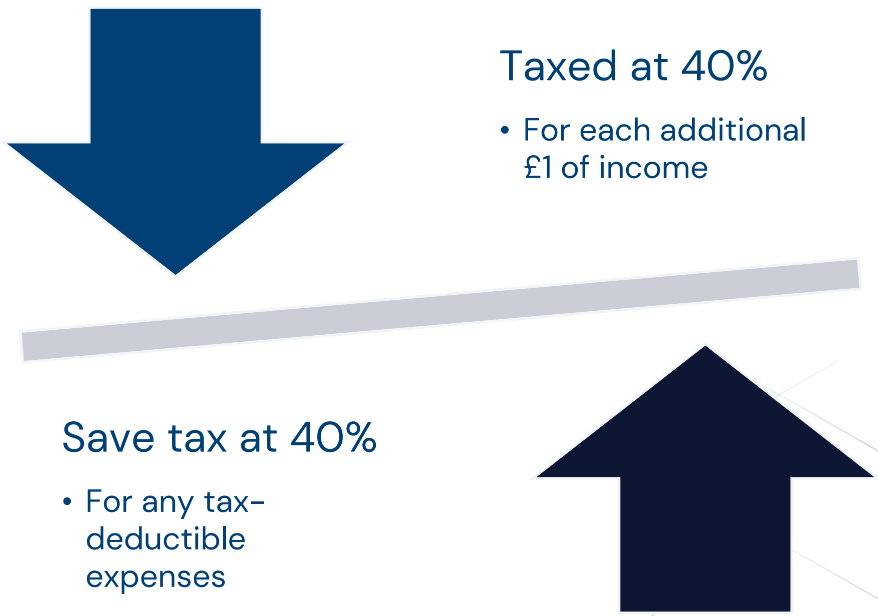
## What it means to be a higher-rate taxpayer

### Your marginal rate of tax

41. An individual is described as a 'higher-rate' taxpayer if the 'top slice' of their income is subject to tax within the higher rate band.

42. For the 2024/25 tax year, an individual whose total income is between £50,270 and £125,140 (or between £46,663 and £75,000 for Scottish taxpayers) would be described as a higher-rate taxpayer.

43. This is because their 'marginal rate' of tax is 40% (or 33.75% if that income is a dividend). This simply means that: –




Tax deductible expenses can be: – making pension contributions, making a charitable (gift aid) donation, or incurring other work-related expenses.

44. Tax bands mean that you only pay the specified tax rate on that portion of your income. This means that different rates of tax will apply to different segments of your income.

45. For example, if your only source of income is employment income of £55,000, you would be taxed as follows: -

| Amount | Rate of tax |
|---|---|
| Up to £12,570 | 0% |
| £12,570 up to £50,270 (£37,700) | 20% |
| £50,270 up to £55,000 (£4,730) | 40% |

46. Becoming a higher-rate taxpayer does not therefore mean that you suddenly have to pay tax at 40% on all of your income – just that this is the highest rate of tax that you pay on the 'top slice' of your income.

### Reduced personal savings allowance

47. The personal savings allowance reduces to £500 for higher-rate taxpayers.

### High income child benefit charge (HICBC)

48. The HICBC is essentially designed to 'clawback' child benefit for higher earners.

49. Prior to 6 April 2024 if you or your partner received child benefit and either (or both) had income which exceeded £50,000, then the higher earner would become liable to pay a HICBC.

50. Anyone who has to pay the charge will need to pay an amount equivalent to some or all of the child benefit that they or their partner is entitled to receive. The HICBC increases gradually for taxpayers with 'adjusted net income' between £50,000 and £60,000.

51. Adjusted net income is total taxable income before any personal allowances and less certain tax reliefs.

*Prior to 6 April 2024*

| | |
|---|---|
| Adjusted net income up to £50,000 | • No HIBC – no clawback of child benefit |
| Adjusted net income £50,000 to £60,000 | • Child benefit is clawed back at 1% of the amount received for every £100 of income |
| Adjusted net income over £60,000 | • Child benefit is clawed back iin full – net amount is zero |

*After 6 April 2024*

52. HICBC still exists, but from 6 April 2024, the earnings thresholds at which it is clawed back have increased: –

| | |
|---|---|
| Adjusted net income up to £60,000 | • No HIBC – no clawback of child benefit |
| Adjusted net income £60,000 to £80,000 | • Child benefit is clawed back at 1% of the amount received for every £200 of income |
| Adjusted net income over £80,000 | • Child benefit is clawed back iin full – net amount is zero |

53. More information is available at high income child benefit charge.

## What it means to be an additional-rate taxpayer

54. You would be described as an 'additional rate' taxpayer if the 'top slice' of your income is subject to tax within the additional rate band.

55. For the 2024/25 tax year, if your total income exceeds £125,140 then you would be described as an additional-rate taxpayer.

56. This is because your 'marginal rate' of tax is 45% (or 39.35% if that income is a dividend).

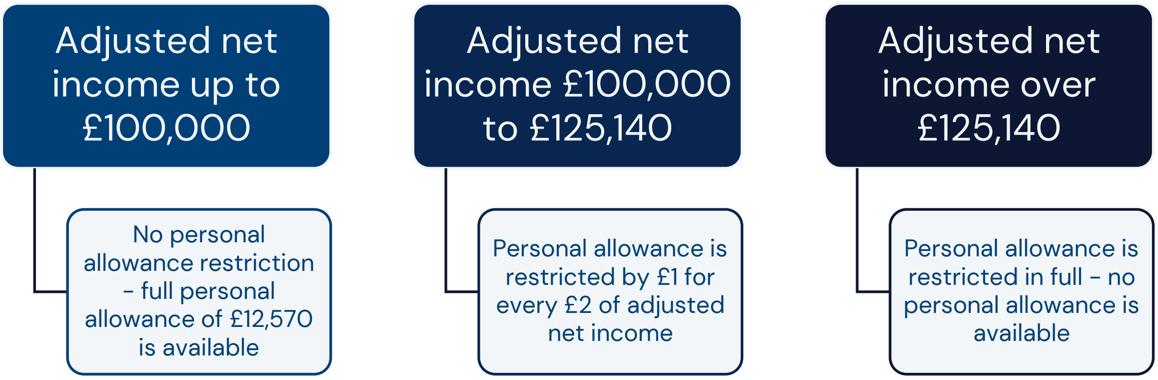
57. This threshold was reduced from 6 April 2023, before that, you did not become an additional-rate taxpayer until your income exceeded £150,000.

### What it means if your income exceeds £100,000 per annum

58. Special tax rules apply if you earn over £100,000 per annum.

*Loss of the Personal Allowance*

59. When your adjusted net income exceeds £100,000 you start to lose your tax-free personal allowance.




60. For example, if your adjusted net income is £114,000, then

$$\frac{(£114{,}000 - £100{,}000)}{2} = £7{,}000\ (\textit{reduction to personal allowance})$$

$$£12{,}570 - £7{,}000 = £5{,}570\ (\textit{reduced personal allowance})$$

61. Any reduction or loss to the personal allowance means that additional income will be taxed at either 40% or 45%. If all of the personal allowance was lost, an additional £12,570 of income taxed at 45% could mean additional income tax of £5,656

62. This means that the effective marginal tax rate on earnings between £100,000 and £125,140 is 60% for taxpayers in England, Wales and Northern Ireland, and 63% for taxpayers who live in Scotland.

*Loss of entitlement to certain benefits*

63. If you (or your partner) have 'adjusted net income' over £100,000 you will also lose access to certain other benefits that you would otherwise be entitled to.

64. This includes access to tax-free childcare and free childcare for 2 to 4 year olds.

*Requirement to file a tax return*

65. Individuals earning over £100,000 per annum were also historically required to file a self-assessment tax return.

66. This threshold was increased to £150,000 from 6 April 2023, but there are still various other reasons as to why you might need to file a tax return.

## Tax returns

### When you might need to file a return

67. There are many reasons why you may need to file a self-assessment tax return, for example: –

- Having untaxed income,
- Needing to pay a HICBC, and
- Earning over £150,000 per annum

68. More information and conditions can be found at: –

- Self-assessment tax returns: who must send a tax return
- You can also use HMRC's interactive online tool to check if you need to file a tax return.

### How you register for self-assessment and file a tax return

69. Information on how to register for self-assessment is available on gov.uk register for self-assessment. You can: –

- File your tax return online File your self-assessment tax return online,
- Ask your accountant or tax advisor to file it for you, or
- File a paper return. If you want to file a paper tax return, you are now required to call HMRC and request a Form SA100.

## Claiming tax relief on pension contributions

71. The way in which you receive tax relief on your pension contributions depends on how the contributions are paid and the level of your income.

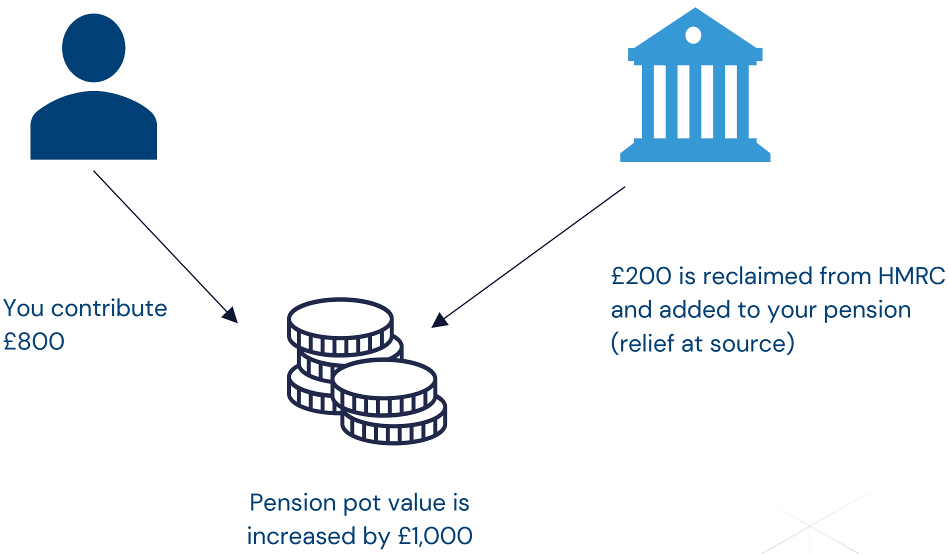
### Contributions deducted from salary

72. Where your employer deducts your pension contributions from your salary under PAYE, you will receive tax relief at source, on those contributions. The tax relief is therefore automatic and there is no further action required by you.

### Contributions paid from after-tax pay

73. Where pension contributions are paid from your after-tax pay for example, if you decide to make a personal pension contribution that you fund personally from your bank account, then you may need to claim tax relief on that contribution, depending on your personal circumstances.

74. When you make a personal pension contribution your pension scheme administrator will provide 'relief at source'. This means that they will claim back the basic rate tax that you would have paid on the amount that you contributed to your pension and use this to 'top up' your pension.




75. The amount you contribute from your bank account (before tax relief) is known as the net pension contribution. The amount after relief at source is known as the gross pension contribution.

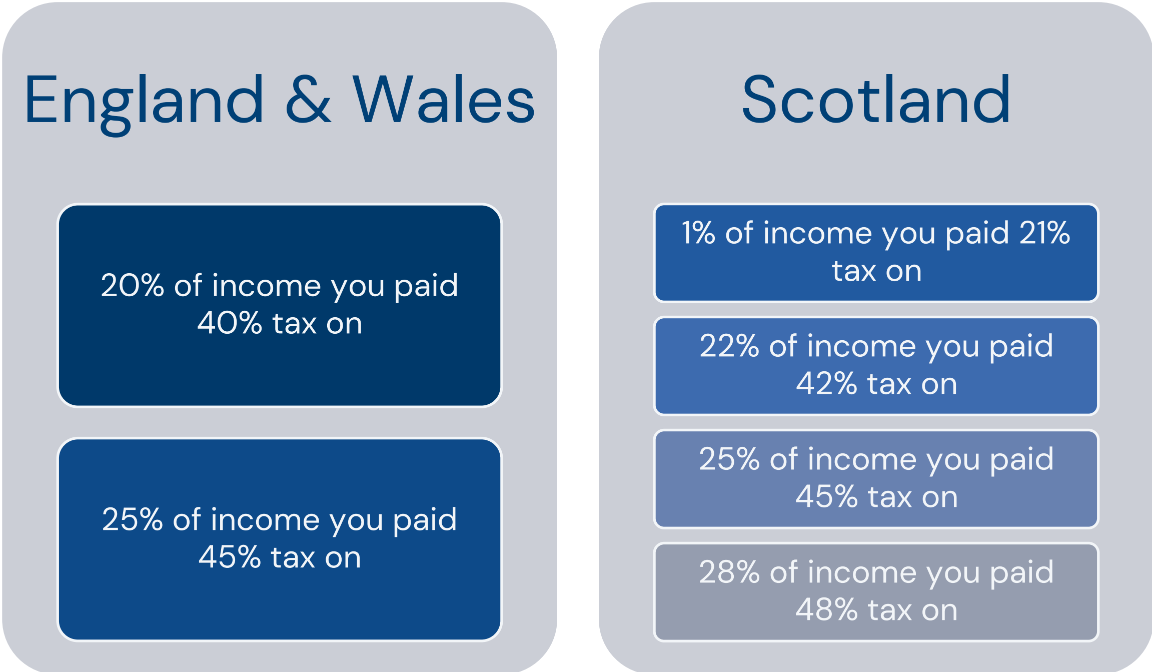
*Basic rate tax-payer*

76. If you are a basic-rate taxpayer, you do not need to do anything further as you have already received tax relief at the correct rate.

*Higher rate tax-payer*

77. If you make personal pension contributions from your net (after-tax) pay and are a higher or additional rate taxpayer then action will be required by you in order to claim the additional tax relief due.

78. You can claim additional tax relief for money you put into a private pension of:




79. Claiming this extra relief means that you receive tax relief on your personal pension contributions at your marginal rate of tax.

80. More information is available at tax on your private pension contributions: Tax relief.

## How to claim the additional tax relief

81. **If you already file a tax return**, then you will need to include the contributions on your tax return, and this is the easiest way to claim the additional tax relief you are owed.

82. **If you do not file a tax return**, then you can call or write to HMRC to claim the additional tax relief you are owed.

83. In your letter, include:

- Proof from your pension provider of payments made for each tax year you're claiming for, for example, a screenshot of your pension account.
- Whether the payment amounts are before or after tax. It is usually best to include details of both the net and gross pension contribution to ensure you get the right amount of relief.

# Appendix

1. A number of example illustrations have been provided in this appendix to show how pension contributions impact tax liabilities.

## Case study 1: Constable – impact of pension contributions

- Irfan is a member of the 2015 police pension scheme (PPS 2015)
- He is a constable and earns £39,432 per year
- His member pension contribution rate is 13.44%
- He has no other sources of income
- His personal allowance is £12,570

2. His pension contributions receive relief at source and will therefore reduce his taxable pay as follows: –

$$£39{,}432 \times 13.44\% = £5{,}299\ (\mathit{pension\ contributions})$$

$$£39{,}432 - £5{,}299 = £34{,}133\ (\mathit{net\ employment\ income})$$

$$£34{,}133 - £12{,}570 = £21{,}563\ (\mathit{taxable\ income\ after\ allowance})$$

3. The taxable income is £21,563 and this means that Irfan is a basic rate taxpayer. His income tax is therefore: –

$$£21{,}563 \times 20\% = £4{,}312\ (\mathit{income\ tax\ due})$$

## Case study 2: Sergeant – saving tax at higher rate

### With pension contributions

- Amir is a member of the PPS 2015
- He is a sergeant and earns £49,077 per year
- His member pension contribution rate is 13.44%
- He also has self-employed income of £6,000 and £600 bank interest
- His personal allowance is £12,570
- His savings allowance is £500

4. His pension contributions receive relief at source and will therefore reduce his taxable pay as follows: -

$$£49{,}077 \times 13.44\% = £6{,}596\ (pension\ contributions)$$

$$£49{,}077 - £6{,}596 = £42{,}481\ (net\ employment\ income)$$

$$£42{,}481 + £6{,}000 = £48{,}481\ (total\ non - savings\ income)$$

$$£48{,}481 + £600 = £49{,}081\ (total\ net\ income)$$

$$£49{,}081 - £12{,}570 - £500 = £36{,}011\ (taxable\ income\ after\ allowances)$$

5. Basic rate of tax for 2024/25 is £50,270 - £12,570 = £37,700.
6. As the taxable income after allowances is £36,011, and this all falls within the basic rate band of £37,700, Amir will pay tax on the taxable income after allowances at a rate of 20%, this is his marginal rate of tax. His income tax is therefore: -

$$£36{,}011 \times 20\% = £7{,}202\ (income\ tax\ due)$$

7. Amir has an effective rate of tax on his total net income of 14.67%: -

$$\frac{£7{,}202}{£49{,}081} \times 100 = 14.67\%$$

## Without pension contributions

8. If Amir was not a member of the PPS 2015 and did not make any pension contributions, his gross salary of £49,077 would be his net employment income and all be subject to assessment of tax.

$$£49{,}077 + £6{,}000 = £55{,}077\ (total\ non-savings\ income)$$

$$£55{,}077 + £600 = £55{,}677\ (total\ net\ income)$$

$$£55{,}677 - £12{,}570 - £500 = £42{,}607\ (taxable\ income\ after\ allowances)$$

Basic rate of tax for 2024/25 is £50,270 - £12,570 = £37,700

Higher rate of tax for 2024/25 is between £37,701 and up to £125,140

9. As the taxable income after allowances is £42,607, this will be taxed at two different rates.

The amount up to £37,700 will be treated as basic rate and taxed at 20%

The amount above £37,700 will be treated as higher rate and taxed at 40%

10. His income tax is therefore: -

$$£37{,}700 \times 20\% = £7{,}540\ (basic\ rate\ income\ tax\ due)$$

$$£42{,}607 - £37{,}700 = £4{,}907 \times 40\% = £1{,}962\ (higher\ rate\ income\ tax\ due)$$

$$£7{,}540 + £1{,}962 = £9{,}502\ (total\ income\ tax\ due)$$

11. Amir has an effective rate of tax on his total net income of 17.07%: -

$$\frac{£9{,}502}{£55{,}677} \times 100 = 17.07\%$$

## Tax position by making pension contributions

12. Without the pension contributions, Amir has a much higher tax liability as he ends up paying £2,300 more in income tax, but this amount of tax has been saved by making the pension contributions of £6,596.

13. Due to his earning levels, the tax relief on the pension contributions has an effective rate of tax of 34.87%.

$$\frac{£2,300}{£6,596} \times 100 = 34.87\%$$

Amir will be taxed via PAYE each month and the tax deducted will be based on this police salary only

His salary falls within the basic rate band, so he will automatically receive 20% tax relief

Further tax relief can will be obtained at the end of the year when Amir completes a self-assessment tax return

Amir will report his additional income and will be entitled to receive a further 14.87% in tax relief on his pension contributions.

This is the difference between the basic tax relief that he automatically receives and his effective rate of tax that he has by making the contributions

## Case study 3: Deputy chief constable – earning over £100,000

With pension contributions

- Sally is a member of the PPS 2015
- She is a deputy chief constable and earns £137,133 per year
- His member pension contribution rate is 13.78%
- She has no other sources of income
- Her personal allowance is £3,452

14. Her pension contributions receive relief at source and will therefore reduce his taxable pay as follows: -

$$£137{,}133 \times 13.78\% = £18{,}896\ (pension\ contributions)$$

$$£137{,}133 - £18{,}896 = £118{,}237\ (total\ net\ employment\ income)$$

15. As Sally has an adjusted net income which is over £100,000, her personal allowance of £12,570 is reduced by £1 for each £2 her adjusted net income exceeds £100,000.

$$\frac{(£118{,}237 - £100{,}000)}{2} = £9{,}118\ (reduction\ to\ personal\ allowance)$$

$$£12{,}570 - £9{,}118 = £3{,}452\ (restricted\ personal\ allowance)$$

$$£118{,}237 - £3{,}452 = £114{,}785\ (taxable\ income\ after\ allowances)$$

| Basic rate of tax for 2024/25 is £50,270 - £12,570 = £37,700 | Higher rate of tax for 2024/25 is between £37,701 and up to £125,140 |
|---|---|

16. As the taxable income after allowances is £114,785, this will be taxed at two different rates.

| The amount up to £37,700 will be treated as basic rate and taxed at 20% | The amount above £37,700 will be treated as higher rate and taxed at 40% |
|---|---|

17. Her income tax is therefore: -

$£37{,}700 \times 20\% = £7{,}540\ (basic\ rate\ income\ tax\ due)$

$£114{,}785 - £37{,}700 = £77{,}085 \times 40\% = £30{,}834\ (higher\ rate\ income\ tax\ due)$

$£7{,}540 + £30{,}834 = £38{,}374\ (total\ income\ tax\ due)$

18. Sally has an effective rate of tax on her total net income of 32.46%: -

$\frac{£38{,}374}{£118{,}237} \times 100 = 32.46\%$

### Without pension contributions

19. If Sally was not a member of the PPS 2015 and did not make any pension contributions, her gross salary of £137,133 would be her net employment income and all be subject to assessment of tax.

20. As her net employment income exceeds £125,140 Sally will lose all of her personal allowance.

| | | |
|---|---|---|
| Basic rate of tax for 2024/25 is £50,270 – £12,570 = £37,700 | Higher rate of tax for 2024/25 is between £37,701 and up to £125,140 | Additional rate of tax for 2024/25 is over £125,140 |

21. As the income is all taxable and is £137,133, this will be taxed at three different rates.

| | | |
|---|---|---|
| The amount up to £37,700 will be treated as basic rate and taxed at 20% | The amount above £37,700 will be treated as higher rate and taxed at 40% | The amount over £125,140 will be treated as additional rate and taxed at 45% |

22. Her income tax is therefore: –

$$£37{,}700 \times 20\% = £7{,}540\ (\textit{basic rate income tax due})$$

$$£125{,}140 - £37{,}700 = £87{,}440 \times 40\% = £34{,}976\ (\textit{higher rate income tax due})$$

$$£137{,}133 - £125{,}140 = £11{,}993 \times 45\% = £5{,}396\ (\textit{additional rate income tax due})$$

$$£7{,}540 + £34{,}996 + £5{,}396 = £47{,}912\ (\textit{total income tax due})$$

23. Sally has an effective rate of tax on her total net income of 34.94%: –

$$\frac{£47{,}912}{£137{,}133} \times 100 = 34.94\%$$

## Tax position by making pension contributions

24. Without the pension contributions, Sally has a much higher tax liability as she ends up paying £9,538 more in income tax, but this amount of tax has been saved by making the pension contributions of £18,896.

25. She also recovers part of her personal allowance.

26. Due to her earning levels, the tax relief on the pension contributions has an effective rate of tax of 50.48%.

$$\frac{£9{,}538}{£18{,}896} \times 100 = 50.48\%$$

Sally will be taxed via PAYE each month and the tax deducted will be based on her police salary

As her salary exceeds the basic rate band, she will automatically receive tax relief at source

As Sally has no other source of income, no furtehr claim for tax relief will be necessary

## Glossary

| Term | Description |
|---|---|
| Additional rate taxpayer | An individual whose 'top slice' of income is subject to tax at the additional rate. |
| Adjusted net income | Total taxable income before any personal allowances and less certain tax reliefs (such as gross personal pension contributions and donations made to charities through Gift Aid). Adjusted net income determines your entitlement to certain benefits, such as the personal allowance, child benefit, and tax-free childcare. |
| Advanced rate taxpayer (Scotland only) | An individual whose 'top slice' of income is subject to tax at the advanced rate. |
| Basic rate taxpayer | An individual whose 'top slice' of income is subject to tax at the basic rate. |
| Dividend allowance | The amount of dividend income you can receive tax-free per tax year (in addition to the personal allowance). |
| Dividend income | Income that includes dividends received from companies and unit trusts (N.B. dividends paid into an ISA or pension are tax-free). |
| Employment income | Earnings from employment including wages, salary, fees, gratuities, tips and other taxable employment-related benefits. |
| Gift Aid | An HMRC scheme which provides income tax relief on donations to charity. This allows the charity to claim an extra 25p for every £1 donated, by claiming back income tax at the basic rate from HMRC. If you pay income tax at a higher rate, you can claim extra tax relief from HMRC via self-assessment or an adjustment to your tax code. |
| High income child benefit charge (HICBC) | A charge which is applied to individuals currently earning (or whose partner earns) over £60,000 per annum, which 'claws back' some or all of the child benefit that they would otherwise be entitled to. |
| Higher rate taxpayer | An individual whose 'top slice' of income is subject to tax at the higher rate. |
| HMRC | His Majesty's Revenue and Customs – the government department that collects and administers taxes, benefits and customs duties in the UK. |

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| Intermediate rate taxpayer<br>(Scotland only) | An individual whose 'top slice' of income is subject to tax at the intermediate rate. |
| ISA | Individual Savings Account – a scheme allowing individuals to hold cash, shares and unit trusts which allow investment returns (income and gains) to build up free of income tax and capital gains tax. In the 24/25 tax year, the maximum amount you can contribute to ISAs is £20,000. |
| Marginal tax rate | The rate of tax you pay on your highest £1 of taxable income. |
| Net taxable earnings | Income earned in the tax year less pension contributions and any allowable expenses (Claim tax relief for your job expenses: Overview). This is the amount of your salary that is subject to income tax. |
| NIC | National Insurance contributions. |
| Non-savings income | Income other than savings and dividend income. It includes employment income, rental income, pension income, income from self-employment, property income and partnership income. |
| Partnership income | Any share of profits received from a partnership. |
| Pay As You Earn (PAYE) | Electronic System that employers and pension providers use to deduct Income Tax and National Insurance contributions before they pay your wages/pension each month and pay them to HMRC on your behalf. |
| Pension income | Pension payments you receive(d) from the government when you reach State Pension age or from a private pension scheme. |
| Personal allowance | The amount of income you can receive tax-free per tax year. |
| Personal savings allowance | The amount of savings income you can receive tax-free per tax year (in addition to the personal allowance). |
| Property / rental income | Rental income from letting-out a property or land. |

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| Savings / interest income | Income that includes interest earned from bank accounts, savings accounts, credit union accounts, building societies, corporate bonds, government bonds and gilts (N.B. investment income on ISAs and within pension funds is tax-free). |
| Scottish taxpayer | An individual who lives in Scotland and pays Scottish rates of tax. If you are/have been a Scottish taxpayer at any point then your tax code (which should be visible on your payslips and/or in 'PAYE Coding Notice' letters from HMRC) should start with an 'S'. |
| Self-assessment | A system HMRC uses to collect income tax that has not been deducted at source, through the submission of self-assessment tax returns. |
| Self-assessment tax return | The formal means of reporting all your income and gains which have arisen in a tax year to HMRC if you are in the self-assessment regime.<br>This can be found at: [http://www.hmrc.gov.uk/forms/sa101.pdf](http://www.hmrc.gov.uk/forms/sa101.pdf) |
| Self-employment income | Income from a sole trade, which is a business you own and operate yourself (not through a company). |
| Starter rate taxpayer (Scotland only) | An individual whose 'top slice' of income is subject to tax at the starter rate. |
| Tax code / PAYE Coding notice | Code that allows an employer to deduct the correct amount of PAYE due, without knowing your personal circumstances (such as other sources of income, benefits etc). |
| Tax year | A UK tax year runs from 6 April to 5 April the following year. For example, the 2024/25 tax year runs from 6 April 2024 to 5 April 2025. |
| Top rate taxpayer (Scotland only) | An individual whose 'top slice' of income is subject to tax at the top rate. |