

Marriage Allowance

A new tax allowance for married couples and civil partnerships was introduced on 6 April 2015.

What is it?

For the 2015/16 tax year, if one spouse is a basic rate tax payer (earns between £10,600 and £42,385) and the other spouse is not a taxpayer (earns below £10,600), new tax legislation allows the lower earning spouse to transfer £1,060 of their unused personal tax-free allowance to the higher earning spouse. This translates to a tax saving of £212 for the 2015/16 tax year.

Who is eligible?

Anyone who satisfies all of the below criteria:

- You're married or in a civil partnership.
- The higher earner earns between £10,600 and £42,385.
- The lower earner earns below £10,600.
- Both spouses were born after 6 April 1935 (those born before qualify for a separate allowance).

Example 1

John works as a part time gardener and earns £6,000 per year. This means that of the £10,600 that he is allowed to earn tax free, £4,600 remains unused, effectively wasted.

John's wife, Susan, works at a local training office, earning a £40,000 salary.

The new Marriage Allowance allows John to transfer £1,060 of his unused personal tax free allowance to Susan. This means Susan will pay tax on £1,060 less than before, saving 20% tax (£212).

Example 2

Mary is as a part time self employed beautician and earns £10,000 per year. Mary elects to transfer £1,060 of her personal allowance to her husband.

Tony works in IT and has a salary of £41,000.

Mary's reduced personal allowance is £9,540, meaning she will pay a small amount of tax on £460, which equals £92. Tony's increase personal allowance translates to £212 saving in tax, which means that overall the couple saves £120 in tax – still worth claiming for!

How do I claim?

You will need to visit the HMRC website (<https://www.gov.uk/marriage-allowance>) and complete the form online, completing details as the person giving the allowance. You'll need to provide certain details, such as date of birth, NI number,

If you are employed or only have pension income, HMRC will notify your employer or pension provider to adjust your tax code to reflect the additional £1,060 allowance.

If you are self-employed, or complete a tax return for any other reason, the recipient will have the £1,060 allowance factored into their end-of-year tax calculation.

If the application is not made by 5 April 2016 it can be applied for retrospectively for the 2015/16 tax year.

If we will be completing your 2015/16 tax return and your income is less than £42,385 we will ask for details of your partners income to see if it is worth making a claim through your tax return.

Even if this isn't something that you can benefit from you if you know of someone who may be eligible and may therefore benefit please let them know as they could qualify for a tax saving of £212 – not to be sniffed at!

If you have any queries over the allowance please contact Jon Agness in the office on 01604 758595 or by email jon@cubepartners.com