Tax

> The information on this website is for general guidance and is not financial advice. If you need more information or personal advice, please contact an Independent Financial Adviser. For more information please read **Getting Advice About Your Finances**

HM Revenue & Customs collects tax to pay for public services. Each year the Chancellor's Budget sets out how much it will cost to provide these services and how much tax is needed to pay for them.

What taxes might I pay?

Key taxes that you may have to pay include

- **Income Tax**
- **National Insurance**
- **Capital Gains Tax**
- **Inheritance Tax**
- **Stamp Duty**
- **Value Added Tax (VAT)**
- and certain other duties

Income Tax

Income Tax is a tax on your income but not all of it is taxable. You are allowed a certain amount of income each year without paying tax on it at all. This is called your Personal Allowance, which is usually around £12,500. If you are aged over 65 you may have a larger Personal Allowance.

Your income is assessed over the 'tax year' which runs from 6 April to the following 5 April. When your income is more than your Personal Allowance you will need to pay tax. For more details on the current tax rate and allowances visit **www.gov.uk.**

What is Taxable Income?

- earnings from employment
- earnings from self-employment
- most pensions income (State, company and personal pensions)

- interest on most savings
- income from shares (dividends)
- rental income
- income paid to you from a trust
- taxable benefits

Non-Taxable Income

There are certain sorts of income that you never pay tax on. These include certain benefits, special pensions and income from tax exempt accounts. These are ignored altogether when working out how much Income Tax you may need to pay. Benefits which are tax-free include those paid for illness or disability, such as **Attendance Allowance**, and those which are means-tested, such as **Pension Credit**.

For detailed information about what you will pay tax on and what is non-taxable, visit **www.gov.uk.**

You may also find it useful to read Age UK's factsheet **planning your retirement, money and tax.**

National Insurance Contributions

If you are over 16 years old, work and earn £184 per week or more, you will have to pay **National Insurance (NI)** contributions. You pay NI contributions to build up your entitlement to certain social security benefits. The type and level of NI you pay depends on how much you earn and whether you're employed or self employed. You will stop paying NI contributions when you reach State Pension age.

Your entitlement to the following benefits and/or the amount you can get will depend on your (or in some cases your spouse or civil partner's) NI contributions:

- Contribution based **Jobseeker's Allowance (JSA)**
- **Employment and Support Allowance (ESA)**
- **State Pension**
- **Bereavement Benefit** including
- **Widowed Parents' Allowance**
- **Bereavement Support Benefit**

Capital Gains Tax

Capital Gains Tax is a tax on capital 'gains'. If, when you sell or give away an asset it has increased in value, you may be taxable on the gain or profit. This doesn't apply to:

- your only or main private residence
- private cars
- National Savings certificates

- most British Government stocks (gifts)
- personal belongings worth up to £6,000
- ISAs and PEPs
- proceeds of most life insurance policies
- Premium Bonds prizes, betting winnings, National Lottery wins
- gifts to registered charities

For further information on Capital Gains Tax and how much you may have to pay, visit the **HM Revenue & Customs website.**

Inheritance Tax

Inheritance Tax is the tax that is paid on your estate. Broadly speaking this is everything you own at the time of your death, less what you owe. It's also sometimes payable on assets you may have given away during your lifetime. Assets include things like property, possessions, money and investments.

Not everyone pays Inheritance Tax on death. It only applies if the taxable value of your estate (including your share of any jointly owned assets and assets held in some types of trusts) when you die is above £325,000 (current figure till 5 April 2021). It is only payable on the excess above this amount. There are also a number of exemptions which allow you to pass on amounts during your lifetime, or in your will, without any Inheritance Tax being due, for example:

- if your estate passes to your husband, wife or civil partner and you are both living in the UK there is no Inheritance Tax to pay even if it's above £325,000
- most gifts made more than seven years before your death are exempt
- certain other gifts, such as wedding gifts and gifts in anticipation of a civil partnership up to £5,000, gifts to charity, and £3,000 given away each year are also exempt

For further information about Inheritance Tax and exceptions visit **www.gov.uk**

Gifting your Home to your Children

If you want to give your home away to your children while you're still alive, you might want to bear in mind that:

- gifts to your children, unlike gifts to your spouse or civil partner, aren't exempt from Inheritance Tax unless you live for seven years after making them
- if you keep living there without paying rent on the property (which your children pay tax on) it's not an 'outright gift' but a ' gift with reservation' so it's still treated as part of your estate and so liable for Inheritance Tax
- you may be liable to pay an Income Tax charge on the 'benefit' you get from having free or low cost use of property you formerly owned (or provided the funds to purchase).
- once you have given your home away your children own it, it becomes part of their assets; so if they are bankrupted or divorced, your home may have to be sold to pay creditors or to fund part of a divorce settlement

- if your children sell your home and it is not their main home, they will have to pay Capital Gains Tax on any increase in its value.

Stamp Duty Land Tax

If you buy a property in the UK over £125,000 then you have to pay Stamp Duty Land Tax (SDLT), previously known as Stamp Duty. SDLT is charged on all purchases of houses, flats and other land and buildings. The amount you will pay will depend on the value of the property you are buying and if you are leasing the property.

The rates for first time buyers are different. For more information visit **www.gov.uk.**

Value Added Tax (VAT)

VAT is a tax that you pay when you buy goods and services in the European Union (EU), including the UK, and is currently paid at a rate of 20%. Where VAT is payable it's normally included in the price of the goods or service you buy. For more information visit **www.gov.uk**
Some goods are exempt from VAT, such as:

- food
- books, newspapers and magazines
- children's clothes
- other exempt items e.g. equipment for disabled people

Help and Advice

TaxAid is a UK charity providing free tax advice to people who cannot afford to pay a professional adviser. The service is independent and confidential. TaxAid can help you understand your rights and responsibilities under the UK tax system, including the information HM Revenue and Customs have sent you about your tax, on matters such as PAYE, self assessment, tax credits and allowances, and tax for the self-employed.

They can also help you if you are worried because you are the subject of an HM Revenue & Customs enquiry; you cannot pay your tax and may be facing legal proceedings for non-payment; you think you should get a tax refund; or you feel you are being unfairly treated by the HM Revenue & Customs. All TaxAid advisers are qualified tax professionals.

Tax Help for Older People (TOP) is an independent, free tax advice service for older people on low incomes who cannot afford to pay for professional advice. They can help with any tax problem, no matter how small it may seem.

Other Useful Information

- **Tax Guide** Age UK Guide
- **Money Helper Service** covers all tax issues from inheritance tax to working tax credits

- **Tax information** – Citizens Advice
- **LifeBook** Age UK free resource. It can be easy to mislay important documents and information. Record your details from, who insures your car, to where you put the TV licence. The LifeBook can help you to be more organised and could be invaluable to a family member or a friend if they need to locate important information about you in an emergency. Follow the step-by-step instructions and fill in the sections with your details, contacts and locations of important documents. Complete it online or order one.

Last updated: March 5, 2025

Useful Organisations

Citizens Advice Newcastle (CAN)

Email: citycab@newcastlecab.org.uk

Website: http://citizensadvice-newcastle.org.uk

Telephone: 0808 223 1133

Address: 4th Floor, City Library, NE1 8AX

HM Revenue and Customs

Website: https://www.gov.uk/contact-hmrc

TaxAid

Email: info@taxaid.org.uk

Website: www.taxaid.org.uk

Telephone: 020 7803 4950

Address: Unit 2, SE11 4AA

Tax Help for Older People

Email: taxvol@taxvol.org.uk

Website: www.taxvol.org.uk

Telephone: 01308 488066

Address: Unit 10 Pineapple Business Park, DT6 5DB

Citizens Advice

Website: www.adviceguide.org.uk

Telephone: 0808 223 1133

Address: Citizens Advice, EC1A 4HD

Related Articles

Attendance Allowance

Bereavement Benefit

Pension Credit

Jobseeker's Allowance (JSA)

State Pension

Pensions

Savings and Investments

Getting advice about your finances

Starting your own business or self employment

Employment and Support Allowance (ESA)

National Insurance

Wills