HM Revenue & Customs

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Tax and your new pension – what you need to know

This factsheet tells you the basics about Income Tax and what you need to do as you reach State Pension age.

Why should I read this factsheet?

Tax can seem complicated and there are things that you need to do. Taking the time to get it right can help you avoid paying too much or too little tax.

Form P161 *Pension coding form*

We send you a P161 *Pension coding form* and a P161 *Helpsheet* about two months before you reach State Pension age or when there's a change in your circumstances, such as when you start to receive a private pension.

It's very important that you complete and return the form once you know the details of all your income. We will use the information you give us to work out what tax allowances you're entitled to and how much tax (if any) you should be paying. If you don't send the form back you could pay too much tax.

Do I have to pay tax on my pension?

When you reach State Pension age you don't automatically stop paying Income Tax. After you reach State Pension age any income you receive from full or part-time work plus any pension income, including your State Pension, counts as taxable income. Your State Pension is paid without tax deducted. If your taxable income, including your State Pension, is more than your tax-free Personal Allowance, you're still a taxpayer.

We treat pensions as income when working out how much tax you need to pay. The amount of tax you pay depends on:

- how much pension you get
- whether you receive any other taxable income, and
- the amount of your tax-free Personal Allowance.

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Want more information?

For more information about:

- tax and pensions go to **www.hmrc.gov.uk/pensioners/index.htm**
- allowances go to **www.hmrc.gov.uk/incometax**

or contact any HMRC office or Enquiry Centre. You'll find us in *The Phone Book* under *HM Revenue & Customs.*

State Pension age

The State Pension age is 65 for men and 60 for women born before 6 April 1950.

For women born on or after 6 April 1950, it will gradually increase from 60 to 65 between 2010 and 2020.

National Insurance contributions

Once you're over State Pension age, you don't have to pay National Insurance contributions (NICs), even if you carry on working.

What are my allowances?

Everyone is allowed a certain amount of income before they have to pay any tax. This tax-free amount is called a basic Personal Allowance. You only have **one** Personal Allowance, which we usually apply to your main source of income.

Age-related Personal Allowances

When you reach age 65 you're entitled to an age-related allowance instead of the basic Personal Allowance. There is also a higher age-related allowance when you reach age 75. Age-related allowances start from the beginning of the tax year (April) in which you reach age 65 or 75.

Other allowances

You may also be entitled to other allowances, such as Blind Person's Allowance, which could reduce the amount of tax you pay. See *Want more information?* on page 1.

What if I have more than one pension or if I still work and get a pension?

All of the tax you owe may be taken from just one of your incomes, for example from your private pension. This might make the amount of tax you are paying look high, but you need to think about how much tax you are paying as a proportion of your **total** income. Your tax code will help you to check this.

What is my tax code for?

We use a tax code to tell you how much you can earn tax-free.

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Customers with particular needs

We offer a range of facilities for customers with particular needs, including:

- wheelchair access to nearly all Enquiry Centres
- help with filling in forms
- for people with hearing difficulties
  – RNID Text Relay
  – induction loops.

We can also arrange additional support, such as:

- home visits, if you have limited mobility or caring responsibilities and cannot get to one of our Enquiry Centres
- services of an interpreter
- sign language interpretation
- leaflets in large print, Braille and audio.

For complete details please:

- go online at **www.hmrc.gov.uk/enq** or
- contact us. You will find us in *The Phone Book* under *HM Revenue & Customs.*

How is my tax code worked out?

Your tax code reflects your total tax-free allowance. That is, the amount you can have, including any additions or reductions depending on your personal circumstances, before you have to pay any tax. Your tax code is simply your tax-free total with the last digit removed.

What should I do with my tax code?

Please check your tax code to make sure it matches what you think it should be and that we have included all of your allowances and income.

If you think we've got it wrong please tell us. We know things can change and the tax you pay may need to be adjusted.

Do I have to pay tax on my savings interest?

Banks and building societies usually take tax off your savings interest before they pay it to you. If you do not get enough income to pay tax, you may be able to register your account or accounts to receive the interest tax free. And, if you have overpaid tax on your bank or building society interest, you may be able to claim it back.

To stop paying tax on savings interest, get form R85 *Getting your interest without tax taken off* from:

- your bank or building society
- **www.hmrc.gov.uk/pensioners/index.htm**

Fill it in and give it to your bank or building society.

Some banks and building societies let you register by phone. Ask yours for details.

To claim tax back that you've paid on your savings interest, go to **www.hmrc.gov.uk/pensioners/index.htm** and download form R40 *Claim for repayment of tax deducted from savings and investments* for each year that you think you've paid too much tax.

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HM Revenue & Customs commitment

We aim to provide a high quality service with guidance that is simple, clear and accurate.

We will:

- be professional and helpful
- act with integrity and fairness and
- treat your affairs in strict confidence within the law.

We aim to handle your affairs promptly and accurately so that you receive or pay only the right amount due.

Putting things right

If you are not satisfied with our service, please let the person dealing with your affairs know what is wrong.

We will work as quickly as possible to put things right and settle your complaint.

If you are still unhappy, ask for your complaint to be referred to the Complaints Manager.

Yr Iaith Gymraeg

Ffoniwch **0845 302 1489** i dderbyn fersiynau Cymraeg o ffurflenni a chanllawiau.

State Pension deferral

When you reach State Pension age you don't have to claim your State Pension straight away. State Pension deferral simply means putting off claiming your State Pension when you reach State Pension age until a time that suits you. This allows you to build up extra income or, if you put off claiming for at least twelve months, a taxable lump sum payment.

To find out more about State Pension deferral go to **www.direct.gov.uk/en/Pensionsandretirementplanning/StatePension/StatePensiondeferral/DG_10027570**

Pension Credit

If you're aged 60 or over you may be able to get Pension Credit. This is extra money to top up your income and the amount you get depends on your circumstances. You could also get extra money if you're 65 or over and have savings or a further pension.

From 2010, the age you can start to get Pension Credit will gradually increase in line with the increase in women's State Pension age, see *State Pension age on* page 1.

To find out more about Pension Credit:

- go to **www.direct.gov.uk/en/Pensionsandretirementplanning/PensionCredit**
- phone the Pension Credit helpline on **0800 99 1234**
- textphone **0800 169 0133**.

These notes are for guidance only and reflect the position at the time of writing. They do not affect any right of appeal.

Issued by

HM Revenue & Customs

Customer Information Team

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