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A GUIDE TO  
**INCOME TAX  
AND YOUR  
PENSION**

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**OLDMUTUAL**  
WEALTH

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## INTRODUCTION

When you make a withdrawal from your pension or significantly increase the withdrawals you are making from your pension, it usually involves the payment of income tax.

Depending on the amount you withdraw and the way you take it, you could find yourself paying more tax and receiving less money than you expect. However if you feel you have overpaid tax, refer to Overpayments and Underpayments of Tax section on page 8.

Old Mutual acts as an agent of the HM Revenue and Customs (HMRC) and collects tax from your withdrawals in accordance with their instructions. They tell us what tax code to use but they will not discuss your personal tax liability with us. If you have any issues or queries regarding your tax payments, you will need to contact HMRC directly.

The purpose of this booklet is to help you understand the possible tax due on your pension withdrawal(s), how the tax is taken, and where you can check that the tax is correct.

**Tax matters can be complex and everyone's tax position is different. Please speak to your financial adviser, who can help you understand the implications of taking money from your pension.**

## KEY FACTS

- **Tax free cash** – pension contracts normally allow part of your withdrawal to be paid tax free, this is usually 25% of the value with the remaining 75% being taxable.
- **Taxable withdrawals** – the amount of tax you pay is calculated in the same way as the income tax paid on employment earnings.
- **Amount of tax deducted from your taxable withdrawal** – the amount of tax deducted will depend on your tax code, the amount you withdraw and when you take this within the tax year.
- **Emergency tax code** – there may be times when your pension withdrawal will be taxed using an emergency tax code, this is usually when you first start taking withdrawals from your pension.
- **Claiming back tax** – there will be times when the amount of tax deducted is more than you may expect as your annual tax allowance is spread over 12 months. If you are not expecting to receive further pension withdrawals in that tax year, you may be able to reclaim any overpaid tax directly from the HMRC or your tax may be adjusted automatically throughout the remainder of the tax year. Otherwise, you will be able to reclaim any overpaid tax from HMRC at the end of the tax year. If however you have taken flexi-access pension withdrawals you may be able to apply for an in-year tax rebate online directly with HMRC.  
[www.gov.uk/claim-tax-refund/too-much-tax-taken-from-your-pay](https://www.gov.uk/claim-tax-refund/too-much-tax-taken-from-your-pay).

## TAX TREATMENT ON UK INCOME WHEN YOU LIVE ABROAD

Your pension income is taxable under UK rules; we will therefore deduct the UK tax required.

If you are subject to tax in any country outside the UK please contact your financial adviser or a tax specialist in the country concerned, to understand whether you will be liable for tax in that other country as a result of receiving a payment from a UK pension scheme.

If you have applied for Non-Resident Status and HMRC have granted you a certificate of "Non-Resident Status" they will issue us a tax code of NT.

An NT tax code dictates that no tax is to be deducted from your pension income because you are exempt from UK tax due to a Double Taxation Agreement.

We can only accept a tax code of NT from a valid P45 or direct from HMRC.

If you have had tax deducted from your pension income payment and we later receive a tax code of NT from HMRC, you will be able to have any overpaid tax returned to you. Please refer to the section 'Overpayments and Underpayments of Tax' for more information.

Please see HMRC links for guidance;

<https://www.gov.uk/tax-foreign-income/residence>

<https://www.gov.uk/tax-right-retain-abroad-return-to-uk>

## YOUR PENSION WITHDRAWALS: WHAT'S TAXABLE?

### THE TAX-FREE ELEMENT OF YOUR WITHDRAWALS

Pension contracts normally allow you to take 25% of their value free of tax.

The current rules allow you to take your tax-free allowance either upfront as a single tax-free lump-sum or as the tax-free portion of a number of withdrawals. For example, you could take a regular £100 withdrawal, £25 of which would be tax free and £75 would be taxable.

### THE TAXABLE ELEMENT OF YOUR WITHDRAWALS

Whichever way you choose to take withdrawals, we have to deduct any relevant income tax before we make payments to you. The amount of tax payable is calculated in the same way as income tax on employment earnings.

Like other pension providers, we act as agents of HM Revenue and Customs (HMRC) and collect tax from your withdrawals in accordance with their instructions. The process we use is the HMRC 'Pay As You Earn' (PAYE) system. It means that, from a tax point of view, you are effectively 'on our payroll'.

### YOUR TAX-FREE PERSONAL ALLOWANCE

The amount of tax you pay depends on how much your taxable income is above your tax-free personal allowance. This is the amount of annual income you can have before you pay tax.

HMRC calculates your tax-free personal allowance by taking into account your age and any entitlement to allowances or tax reliefs, less any deductions. They use this information to convert the result into a tax code.

Your tax code shows the amount of tax-free personal allowance you are entitled to. Many people receive taxable income from a variety of sources, for example bank deposits, investments, and several pension providers. HMRC considers all your sources of income and allowances to arrive at a tax code. As it is your personal financial circumstances that determine your tax code, it is unlikely to be the same as somebody else's.

## TAX CODES

Old Mutual Wealth operates several different payrolls. This may result in you having more than one tax code in respect of Old Mutual Wealth pension payments (See 'You may have different tax codes' below). As explained on the previous page, tax codes are created by HMRC from your tax-free personal allowance. Your tax code tells your pension provider or employer how much tax to deduct. It is your responsibility to read the notices HMRC sends you to check that the tax due has been calculated using the correct information. We will always inform you of the tax code used for any taxable payment we pay to you.

### HOW DO WE FIRST GET YOUR TAX CODE?

When first requesting income, if you send us a P45 in respect of an employment or pension that terminated in the tax year in which we make payment, we will use the tax code printed on it. We will use this on a 'month 1' basis (please see page 6 for more information). Or if we already hold a tax code for you that can be used in respect of the payment we are making we will use that tax code.

If we do not have a tax code, we are required to deduct what is commonly known as 'emergency tax' which will more often than not result in an initial overpayment of tax. Please refer to the 'Overpayments and Underpayments of Tax' section to see how to get any tax overpaid repaid to you.

### HOW YOU'RE NOTIFIED OF YOUR TAX CODE AND WHEN IT CHANGES

You need to inform HMRC when there's a change to your personal circumstances or taxable income which could affect your tax liability. Failure to do so could result in you being on the wrong tax code. HMRC will calculate a new tax code if they are informed that your circumstances have changed. For further details please visit [www.gov.uk/tell-hmrc-change-of-details/income-changes](http://www.gov.uk/tell-hmrc-change-of-details/income-changes).

HMRC usually posts your copy of the tax code notification to your home address, however they will not always notify you if they think it will not have a material effect on the net income we pay you. Our copy of your tax code arrives electronically. We are not privy to the details of how your tax code has been calculated, nor will HMRC discuss your tax liability with us. If we call them, they will only confirm the current tax code to us.

We are required by HMRC to submit details of your income paid, tax deducted and personal details every time we make a payment. From this information HMRC will know you are in receipt of pension income from Old Mutual Wealth and if applicable they will send us a revised tax code to be used in your next payment calculation.

### YOU MAY HAVE DIFFERENT TAX CODES

Old Mutual Wealth operates several different payrolls. This may result in you having more than one tax code in respect of Old Mutual Wealth pension payments. Each payroll is identified with HMRC by their unique 'Employer Pay As You Earn Reference'. For this reason you will have a different tax code for each employer and pension provider which pays you income.

A tax code for one type of income cannot always be applied to another even if the income you are receiving is from the same source. For example, if we have a tax code which we have applied to lump sum payments you've taken from your pension, we may not be able to use this code for your regular income payments.

## UNDERSTANDING YOUR TAX CODE

Most tax codes are made up of a number followed by a letter. Some are just letters and some have a prefix letter then the number.

For example, if HMRC says you are entitled to a £11,500 tax-free personal allowance a year, they will divide this by 10 and issue a tax code of 1150. A letter at the end of your tax code is added according to your circumstances.

- L** confirms you are entitled to the standard tax free personal allowance
- M Marriage Allowance** confirms that you are a recipient of a personal allowance from your spouse or civil partner
- N Marriage Allowance** confirms a transfer of your personal allowance has been made to your spouse or civil partner
- T** is normally referred to as a temporary tax code because HMRC is reviewing your tax code
- K** your deductions have exceeded your tax-free personal allowance
- S** prefix indicates you are taxed at the Scottish rate of income tax

For the 2017/18 tax year for a code of:

- 1150L** you are entitled to the full £11,500 annual tax-free personal allowance
- BR** all income is to be taxed at the basic rate (currently 20%)
- NT** no tax is to be deducted
- DO** no tax-free personal allowance due, all income is to be taxed at the higher rate (currently 40%)
- D1** no tax-free personal allowance due, all income is to be taxed at the additional rate (currently 45%)
- OT** no tax-free personal allowance due, all income is to be taxed at the basic, then higher, then additional rate accordingly
- K467** eg; your deductions have exceeded your tax-free personal allowance by £4,670

For further details please visit [www.gov.uk/tax-codes/letters-in-your-tax-code-what-they-mean](http://www.gov.uk/tax-codes/letters-in-your-tax-code-what-they-mean) and [www.gov.uk/tax-codes/overview](http://www.gov.uk/tax-codes/overview)

If we don't have a tax code when we make your first payment, HMRC dictates we must use the current emergency tax code. For the 2017/18 tax year this is 1150L M1 (this changes annually). The M1 indicates we are to deduct tax on a month 1 basis – see below, for further details please visit [www.gov.uk/emergency-tax-code](http://www.gov.uk/emergency-tax-code).

### WHAT IS A MONTH 1 BASIS?

If there is an M1 at the end of your tax code then you are said to be on a 'month 1' basis or 'non-cumulative'. This means that we must calculate tax using only 1/12th of your annual tax-free allowance, in conjunction with the monthly tax bands, irrespective of the month your income is paid in.

For example, if your pension income is to be paid in September, which is tax period 6, you would only be entitled to 1/12th of your tax-free personal allowance rather than 6/12ths. The tax calculation to be performed must only consider the current income due to be paid; previous income must not be included.

It is not unusual for HMRC to send us a tax code for you on a month 1 basis. This means they will examine your tax liability and send us a revised tax code, or that they will re-calculate your tax liability at the end of the tax year. Any over or underpayment of tax will be identified and HMRC will notify you directly. If your tax code is on a month 1 basis, we are not permitted by HMRC to rebate any overpayment of tax.

### WHAT IS A CUMULATIVE BASIS?

If there is not an M1 at the end of your tax code then you are said to be on a cumulative basis. This means that your tax liability is recalculated from the beginning of the tax year (April) to the current tax period, every time it is paid, and any previous income paid within the tax year is taken into consideration.

For example, if your pension income is to be paid in September, which is tax period 6, you will be entitled to 6/12ths of your tax-free personal allowance, in conjunction with 6/12ths of the annual income bands.

### SCOTTISH RATE OF INCOME TAX - SRIT

The Scottish rate of Income Tax (SRIT) will apply to you if HMRC consider you to reside in Scotland.

- HMRC will determine at the beginning of each tax year whether you are a Scottish Resident for tax purposes.
- If you pay the Scottish rate of income tax, your tax code will be prefixed with an S e.g. S1150L, SOT, SK467 etc...
- This S prefix on the tax code will remain for a whole tax year. So if you move away from Scotland, HMRC will not revise your tax code in the current tax year – it will not change until the following tax year.
- Old Mutual Wealth would only use a Scottish rate tax code if HMRC tell us to.
- From 2017/18 the Scottish taxpayers basic rate limit will be £31,500.

For full details please contact [www.gov.uk/scottish-rate-income-tax](http://www.gov.uk/scottish-rate-income-tax)

## TAX BANDS

Tax is due on all income that exceeds your tax-free personal allowance. The amount of tax calculated depends on your income, the HMRC income bands and the corresponding tax rates.

Tax rates (in other words, the percentage of tax you pay) don't tend to change that often, however the income bands are usually amended each year. For published rates and bands please visit [www.gov.uk/income-tax-rates](http://www.gov.uk/income-tax-rates)

The current tax rates and bands for the 2017/18 tax year are:

Tax Rate	%	UK Annual Income Threshold	UK Monthly Income Threshold	Scottish Annual Income Threshold	Scottish Monthly Income Threshold
Basic rate	20	£1 to £33,500	£1 to £2,792	£1 to £31,500	£1 to £2,625
Higher rate	40	£33,501 to £150,000	£2,793 to £12,500	£31,501 to £150,000	£2,626 to £12,500
Additional rate	45	Over £150,001	Over £12,501	Over £150,001	Over £12,501

HMRC has supplied a tool which you can use to calculate the tax deduction we will make, you can find this at <http://payecalculator.hmrc.gov.uk/PAYE0.aspx>.

**As any pension income is taxed under the income tax rules, it may affect the tax rate that is applied to any other income you receive, such as employment earnings.**

## PAYE AND HOW WE ADMINISTER IT

Income tax is an annual charge on your income. Tax on your employment and pension income is collected at source under the pay as you earn (PAYE) scheme by HMRC. To avoid everyone having to submit a tax return to HMRC every year, the PAYE system is designed to deduct tax from income and pensions throughout the year, so that at the end of the tax year the tax deducted should be close to your tax liability.

Pension income is deemed a taxable income so we have a legal obligation to deduct tax accordingly. Old Mutual Wealth is the agent of HMRC when it comes to operating PAYE. The tax we deduct is dependent upon the tax codes provided to us by HMRC. If you feel we are not collecting the correct tax you should contact HMRC

<https://www.gov.uk/government/organisations/hm-revenue-customs/contact/income-tax-enquiries-for-individuals-pensioners-and-employees>

### OLD MUTUAL WEALTH PAYROLLS

To calculate and pay your pension income Old Mutual Wealth uses 'monthly frequency payrolls'. This means that we process 12 pay runs a tax year. Your annual tax-free personal allowance is divided by 12 and if your tax code basis is cumulative, you will receive one month's tax-free allowance per tax period, to a maximum of 12.

We process several different payrolls and which payroll we use for your payments depends on your type of policy and the type of payment. For this reason you could be on more than one of our payrolls.

Your taxable income is the amount left after your tax-free personal allowance. By applying the HMRC UK or Scottish income bands and percentage tax rate to this amount, we know what tax to deduct.

The PAYE process assumes that the amount of money you receive each month is one twelfth of your annual income. If for example, you receive £24,000 a year in twelve equal monthly amounts, then each £2,000 instalment will be taxed at the appropriate rate, based on your personal tax code.

However, as we operate a monthly frequency payroll, if you receive an extra payment of, say, £24,000 on top of your monthly pay in July, we are only required by HMRC to apply your tax-free personal allowance up until the tax period in which you are paid. Therefore, only 6/12th of your annual tax-free allowances would be applicable to the £26,000 payment. This could take you into the 40% and 45% higher rate tax bracket. Please refer to the 'Overpayment and Underpayment of Tax' section.

So, it's important to understand that the timing of your withdrawal may affect the amount of tax you pay in that month, and therefore the amount of income you receive. This could affect your ability to meet your financial obligations at that time.

## WHEN DO WE SEND YOU A P45?

If we issue you with a P45, this is because we are making the final payment we expect to pay you from that payroll.

The P45 will show you how much tax has been deducted from your pension income within a tax year. If you have taken your full income withdrawal and we have sent you a P45 you may have paid more tax than you should have. If there has been an overpayment, you may be able to claim a refund from HMRC using a process known as 'in-year tax repayment'.

The P45 is split into four parts, although we will send you only parts 1A, 2 and 3. Part 1A is your copy to retain for future reference; please keep it safe as we are not allowed to provide you with a copy should you misplace it. Parts 2 and 3 are to be handed to either your next employer, pension provider or the jobcentre plus.

If you have only withdrawn part of your pension we will not issue you with a P45 until all your policy has been withdrawn. For this reason you will remain on our payroll. HMRC will be aware that you have had pension income payments, from the data we are required to submit every month. They will review your tax liability and send us a revised tax code to use if applicable.

## OVERPAYMENTS AND UNDERPAYMENTS OF TAX

Overpayment and underpayment of tax usually occurs because you have been on the wrong tax code or because we have had to use the emergency tax code in the absence of a P45. It can also occur due to the way PAYE works with regards to one-off pension withdrawals, as explained in section 'One off Payments from Pension Income Drawdown';

If the PAYE regime results in an overpayment or underpayment of tax, this will be taken into account by HMRC in their end of tax year reconciliation of your tax affairs.

If you have not contacted HMRC within the tax year, their normal procedure is to automatically review your liability after the end of the tax year (5 April) and issue a tax calculation to you detailing any overpayment or underpayment of tax. For full details visit; <https://www.gov.uk/tax-overpayments-and-underpayments>

### HOW TO GET YOUR TAX OVERPAYMENT REPAID TO YOU

If you live outside the United Kingdom, please contact HMRC directly to claim any in year tax rebate as there are different rules for claiming tax refunds on a UK pension if you live abroad. There may be times when you will receive a tax rebate through the Old Mutual Wealth payroll. If you do not intend to take any further pension withdrawals in the same tax year, you may be able to claim an in-year tax refund by completing the relevant HMRC form which is now available on-line. There are various different forms available depending on your circumstances. Please refer to HMRC for further guidance. You can claim a refund if you've overpaid tax in the current tax year or any of the previous four tax years. Please contact HMRC as follows:

Telephone: 0300 200 3300

Address: Pay As You Earn, HM Revenue and Customs, BX9 1AS, United Kingdom

For full details visit <https://www.gov.uk/claim-tax-refund>



# PAYMENTS FROM YOUR ACCOUNT AND THEIR TAX TREATMENT

You now have a range of pension withdrawal options which you can use in a variety of ways to meet your needs. All of the following methods of withdrawing income are available under the Old Mutual Wealth Collective Retirement Account. If you hold a different pension contract with us, some but not all of these options are available to you. Please speak to your financial adviser or contact us to find out how you can withdraw money from your pension.

## 1. PARTIAL OR TOTAL WITHDRAWAL OF YOUR PENSION ACCOUNT

When we make a payment to you, it will usually consist of two elements: a tax-free element and a taxable element. Normally the tax-free element is 25% but in some circumstances it could be more or less.

The balance is subject to tax under the PAYE system. We will normally use an emergency month 1 tax code unless:

- we hold a tax code for you in respect of a previous partial withdrawal or
- you supply us with a P45 in respect of an employment or pension that has terminated in the same tax year as we make the payment, in which case we can use the tax code on that form on a month 1 basis (see page 6).

When we have made the final payment from your account we will supply you with a P45 and advise HMRC. You should then be able to claim any overpayment of tax from them.

The tax code used and the timing of the withdrawal within the year can have a significant impact on the tax we deduct (see page 7). If you do not intend to take any further pension withdrawals in the same tax year, you may be able to claim an in-year tax rebate by applying online or sending the relevant form to HMRC.

## 2. SMALL POTS

When we pay a 'small pot commutation', 25% is tax-free. Although the balance is subject to income tax, we are required to deduct basic rate tax (20%) from it. This could result in an underpayment or overpayment of tax. Once we have made the payment we will supply you with a P45 and advise HMRC. You should then be able to claim any overpayment of tax from them. If you are a higher or additional rate taxpayer, you will have to take this payment into account in your self assessment return, and pay any additional tax at that point.

## 3. REGULAR PAYMENTS FROM PENSION INCOME DRAWDOWN

These will be taxed under PAYE in a similar way to employment income. HMRC will supply us with a tax code that tells us how much tax to deduct from each instalment of income.

When we make the first income payment to you we will have to use an emergency month 1 tax code unless you are able to supply us with a P45 from an employment or pension that ceased in that tax year. If we have a P45 we can continue to use that tax code on a month 1 basis (see page 6) until HMRC notifies us of a different code.

The tax we deduct on annual payments will depend on your tax code and the month in which the payment is made and may result in us deducting a larger amount of tax than you expect.

## 4. ONE-OFF PAYMENTS FROM PENSION INCOME DRAWDOWN

If we have previously paid income from your pension account we will use the tax code we hold for you. HMRC reviews this tax code at least every year and provides us with an updated code if necessary. The amount of tax we deduct could depend upon the month in which we make payment, and this may result in us deducting a larger amount of tax than you expect.

If the payment is the first payment of income we pay to you, we will have to use an emergency month 1 tax code unless you are able to supply us with a P45 from an employment or pension that ceased in that tax year. If we have a P45 we can continue to use that tax code on a month 1 basis (see page 6) until such time as HMRC notifies us of a different code.

## 5. FINAL PAYMENT FROM PENSION INCOME DRAWDOWN

If we have previously paid income from your pension account we will use the tax code we hold for you. HMRC reviews this tax code at least every year and provides us with an updated code if necessary. The amount of tax we deduct could depend upon the month in which we make payment, and this may result in us deducting a larger amount of tax than you expect.

If it is the first income payment we have made to you, we will have to use an emergency month 1 tax code unless you are able to supply us with a P45 from an employment or pension that ceased in that tax year. If we have a P45 we can continue to use that tax code on a month 1 basis (see page 6) until such time as HMRC notifies us of a different code.

Once we have made the payment we will supply you with a P45 and advise HMRC. You should then be able to claim any overpayment of tax from them.

## 6. DEPENDANT/NOMINEE PENSION INCOME DRAWDOWN

If you inherit a pension account from somebody who has died, your withdrawals from that account will be taxed in one of two ways, as follows:

1. If the person has died after the age of 75 your withdrawals will be taxed under PAYE, like employment income. As described in Section 3 above.
2. If the person died before the age of 75 then the withdrawals will not be subject to UK tax.

## 7. TAX POSITION FOR NON-UK RESIDENTS INHERITING A PENSION ACCOUNT

If you are subject to tax in any country outside the UK, please contact your financial adviser, or a tax specialist in the country concerned, to understand whether you will be liable for any tax in that other country as a result of receiving withdrawals from the inherited pension account.

# EXAMPLES OF UK TAX DEDUCTIONS:

The following examples were calculated using the HMRC PAYE calculator.

<http://payecalculator.hmrc.gov.uk/PAYE1.aspx>

## SCENARIO: MR BROWN WANTS TO TAKE PENSION INCOME FOR THE FIRST TIME FROM HIS POLICY WITH OLD MUTUAL WEALTH

- He wants to take £15,000 gross (pre-tax) income
- As this is the first pension income payment, the tax code is initially set to Emergency Tax code – for 2017/18 this is 1150L and is on a Week 1 Month 1 basis
- Mr Brown is assumed not to be a Scottish resident.

<b>£15,000 GROSS INCOME</b>	
<b>Tax Code: 1150L Month 1</b>	
(£11,509 annual tax allowance/12 = £959.09 tax free in period 1)	
<b>Gross taxable pay</b>	£15,000.00
<b>Less tax allowance</b>	– £959.09
<hr/>	
<b>Taxable income</b>	£14,040.91
<b>Tax due</b>	
@ 20% on £2,792 =	£558.46
@ 40% on £9,708 =	£3,883.20
@ 45% on £1,540 =	£693.00
<hr/>	
<b>Total tax due on £15,000 =</b>	£5,134.66
<b>Net income =</b>	£9,865.34

## SCENARIO: MRS TAYLOR WANTS TO TAKE PENSION INCOME IN THE CURRENT TAX YEAR FROM HER POLICY WITH OLD MUTUAL WEALTH, HAVING TAKEN INCOME IN THE PREVIOUS TAX YEAR

- She wants to take £15,000 gross (pre-tax) income
- Old Mutual Wealth has received a tax code notification from HMRC to confirm her tax code for the current tax year is 1150L on a cumulative basis.
- Mrs Taylor is assumed not to be a Scottish resident.

<b>£15,000 GROSS INCOME</b>	
<b>Tax Code: 1150L Cumulative</b>	
(£11,509.00 annual tax allowance/12 = £959.09 tax free a month.	
<b>Tax period 7</b> means the tax free pay is £959.09 x 7 = £6,713.63 tax free pay)	
<b>Gross taxable pay</b>	£15,000.00
<b>Less tax allowance</b>	– £6,713.63
<hr/>	
<b>Taxable income</b>	£8,286.37
<b>Tax due</b>	
@ 20% on £8,286 =	£1,657.20
@ 40% on £0 =	£0.00
@ 45% on £0 =	£0.00
<hr/>	
<b>Total tax due on income of £15,000 =</b>	£1,657.20
<b>Net income =</b>	£13,342.80

## THIS EXAMPLE APPLIES TO BOTH UK TAX AND SCOTTISH RATE OF TAX.

The following examples were calculated using the HMRC PAYE calculator.

<http://payecalculator.hmrc.gov.uk/PAYE1.aspx>

### SCENARIO 3: MRS FORBES WANTS TO TAKE PENSION INCOME FOR THE FIRST TIME FROM HER POLICY WITH OLD MUTUAL WEALTH AND PROVIDES US WITH A P45 FOR THE 2017/18 TAX YEAR WHEN SHE WAS RECEIVING PENSION INCOME FROM HER PREVIOUS PENSION PROVIDER.

- She wants to take £925.00 gross (pre-tax) per month commencing 25/10/17
- Her P45 details from her previous provider are:
  - Tax code: S544L
  - Tax code basis: Cumulative
  - Gross Pay to Date: £5550.00
  - Tax Deducted to Date: £565.00
  - Mrs Forbes is assumed not to be a Scottish resident.

We use the tax code from the P45 on a month 1 basis for the first payment and until we receive a new tax code from HMRC.

<b>£925.00 GROSS INCOME</b>	
<b>Tax Period:</b> 7 (October)	
<b>Tax Code: 544L or S544L Month 1</b>	
(£5,449.08 annual tax allowance/12 = £454.09 month 1 tax free pay)	
<b>Gross taxable pay</b>	£925.00
<b>Less tax allowance</b>	- £454.09
<b>Taxable income</b>	£470.91
<b>Tax due</b>	
@ 20% on £470 =	£94.00
@ 40% on £0 =	£0.00
@ 45% on £0 =	£0.00
<b>Total tax due on income of £925.00 =</b>	£94.00
<b>Net income =</b>	£831.00

### THE EXAMPLES BELOW ARE BASED ON THE SCOTTISH RATE OF TAX.

<b>£15,000 GROSS INCOME</b>	
<b>Tax Code: S1150L Month 1</b>	
(£11,509 annual tax allowance/12 = £959.09 tax free a month)	
<b>Gross taxable pay</b>	£15,000.00
<b>Less tax allowance</b>	- £959.09
<b>Taxable income</b>	£14,040.91
<b>Tax due</b>	
@ 20% on £2,625 =	£525.00
@ 40% on £9,875 =	£3,950.00
@ 45% on £1,542 =	£693.00
<b>Total tax due on £15,000 =</b>	£5,168.00
<b>Net income =</b>	£9,832.00

<b>£15,000 GROSS INCOME</b>	
<b>Tax Code: S1150L Cumulative</b>	
(£11,509 annual tax allowance/12 = £959.09 tax free a month)	
<b>Tax period 7</b> means the tax free pay is £959.09 x 7 = £6,713.63 tax free pay)	
<b>Gross taxable pay</b>	£15,000.00
<b>Less tax allowance</b>	- £6,713.63
<b>Taxable income</b>	£8,286.37
<b>Tax due</b>	
@ 20% on £8,286 =	£1,657.20
@ 40% on £0 =	£0.00
@ 45% on £0 =	£0.00
<b>Total tax due on £15,000 =</b>	£1,657.20
<b>Net income =</b>	£13,342.80

## USEFUL LINKS

### YOU CAN FIND MORE INFORMATION ABOUT HMRC TAX RULES AT:

[www.gov.uk/government/organisations/hm-revenue-customs/contact/income-tax-enquiries-for-individuals-pensioners-and-employees](http://www.gov.uk/government/organisations/hm-revenue-customs/contact/income-tax-enquiries-for-individuals-pensioners-and-employees)  
<https://www.gov.uk/tax-codes/letters-in-your-tax-code-what-they-mean>  
[www.gov.uk/tax-codes/overview](http://www.gov.uk/tax-codes/overview)  
[www.gov.uk/claim-tax-refund/too-much-tax-taken-from-your-pay](http://www.gov.uk/claim-tax-refund/too-much-tax-taken-from-your-pay)  
[www.gov.uk/income-tax-rates](http://www.gov.uk/income-tax-rates)  
<http://payecalculator.hmrc.gov.uk/PAYE0.aspx>

### HMRC CONTACT DETAILS:

Telephone: 0300 200 3300

Address: Pay As You Earn, HM Revenue and Customs, BX9 1AS, United Kingdom

## NEW FEATURES AVAILABLE FROM HMRC

### HMRC – PERSONAL TAX ACCOUNT

You may be interested in the new on-line Personal Tax Account, where you are able to view, add or amend your tax information held. A few of the features allow you to check your tax estimate and tax code, amend your home address and register for the “paperless” option.

For further details please go to; [www.gov.uk/personal-tax-account](http://www.gov.uk/personal-tax-account)

### TAX CREDITS

Ensure the information used to calculate your tax credits is correct.

To renew or amend your claim go to; [www.gov.uk/managetaxcredits](http://www.gov.uk/managetaxcredits)

To find out more about tax credits go to; [www.gov.uk/browse/benefits/tax-credits](http://www.gov.uk/browse/benefits/tax-credits)

### THE NEW STATE PENSION

The Department for Works & Pensions (DWP) has created new materials which may help you with queries about the New State Pension, which came into effect on the 6th April 2016.

For further details please go to; [www.gov.uk/new-state-pension](http://www.gov.uk/new-state-pension)

This document is based on Old Mutual Wealth’s interpretation of the law and HM Revenue and Customs practice as at April 2017. We believe this interpretation is correct, but cannot guarantee it. Tax relief and the tax treatment of investment funds may change.

The value of any tax relief will depend on the investor’s individual circumstances.

### [www.oldmutualwealth.co.uk](http://www.oldmutualwealth.co.uk)

Calls may be monitored and recorded for training purposes and to avoid misunderstandings.

Old Mutual Wealth is the trading name of Old Mutual Wealth Limited which provides an Individual Savings Account (ISA) and Collective Investment Account (CIA) and Old Mutual Wealth Life & Pensions Limited which provides a Collective Retirement Account (CRA) and Collective Investment Bond (CIB).

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