

Introduction

We know tax can be complicated so we've designed this document to help you understand the tax rates and allowances that apply for the 2018/2019 tax year. It will hopefully help you work out what will apply to you and when.

The information below is for the 2017/2018 and 2018/2019 tax years, which run from 6 April to 5 April inclusive. Please note that the 2018/2019 rates are only proposed and they haven't been approved by the government yet, so you should only use them as a guide.

Allowances	2017/2018 rate	2018/2019 rate
Annual Allowance*	£40,000	£40,000
Money Purchase Annual Allowance (MPAA)**	£4,000 (applicable when someone takes a 'flexible payment' from money purchase benefits)	£4,000 (applicable when someone takes a 'flexible payment' from money purchase benefits)
Annual Allowance charge***	Marginal rate of income tax	Marginal rate of income tax
Lifetime Allowance	£1m	£1,030,000
Lifetime Allowance charge****	25% (if benefits taken as an income). 55% (if benefits taken as a lump sum)	25% (if benefits taken as an income). 55% (if benefits taken as a lump sum)

Important note:

*There is a tapered reduction in the annual allowance for individuals with income (including the value of any pension contributions) of over £150,000 a year, where their income (excluding a pension contributions) is in excess of £110,000.

**The MPAA is the maximum amount you can pay into your money purchase (also known as defined contribution) pension in a tax year after you have started to take money from your pension pot in certain ways. Your pension scheme or provider will tell you if the MPAA applies to you when a payment is made.

*** This is the rate of tax you pay for any contributions over your Annual Allowance or MPAA in a tax year.

**** The rate of tax on any pension savings you withdraw over the Lifetime Allowance.

Automatic enrolment earnings triggers	2017/2018 rate	2018/2019 rate
Annual earnings trigger	£10,000	£10,000
Monthly earnings trigger	£833	£833
Four-weekly earnings trigger	£768	£768
Weekly earnings trigger	£192	£192

Automatic enrolment qualifying earnings – lower limits	2017/2018 rate	2018/2019 rate
Annual qualifying earnings lower limit	£5,876	£6,032
Monthly qualifying earnings lower limit	£490	£503
Four-weekly qualifying earnings lower limit	£452	£464
Weekly qualifying earnings lower limit	£113	£116

Automatic enrolment qualifying earnings – upper limit	2017/2018 rate	2018/2019 rate
Annual qualifying earnings upper limit	£45,000	£46,350
Monthly qualifying earnings upper limit	£3,750	£3,863
Four-weekly qualifying earnings upper limit	£3,462	£3,566
Weekly qualifying earnings upper limit	£866	£892

Income tax (UK)	2017/2018 rate	2018/2019 rate
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Personal Allowance (UK and Scotland)	£11,500	£11,850
Taxable earnings at basic rate (UK rate)	£11,501* - £45,000	£11,851* - £46,350*
Taxable earnings at higher rate (UK rate)	£45,001* - £150,000	£46,351* - £150,000
Additional rate threshold (UK rate)	Over £150,000**	Over £150,000**

Scottish rate of income tax (SRIT)	2017/2018 rate	2018/2019 rate
Starter rate	N/A	19%
Basic rate	20%	20%
Intermediate rate	N/A	21%
Higher rate	40%	41%
Additional rate	45%	46%
Taxable earnings at starter rate (SRIT)	N/A	£11,851* - £13,850*
Taxable earnings at basic rate (SRIT)	£11,501* - £43,000*	£13,851* - £24,000*
Taxable earnings at intermediate rate (SRIT)	N/A	£24,001* - £43,430*
Taxable earnings at higher rate (SRIT)	£43,001* - £150,000	£43,431* - £150,000
Additional rate threshold (SRIT)	Over £150,000**	Over £150,000**

Important note:

*Assumes you are in receipt of the Standard UK Personal Allowance

**Personal Allowance reduced by £1 for every £2 earned over £100,000

ISAs	2017/2018 rate	2018/2019 rate
Total limit	£20,000	£20,000

National Insurance primary thresholds	2017/2018 rate	2018/2019 rate
Annual primary threshold	£8,164	£8,424
Monthly primary threshold	£680	£702
Four-weekly primary threshold	£628	£648
Weekly primary threshold	£157	£162

National Insurance lower earnings limits	2017/2018 rate	2018/2019 rate
Annual lower earnings limit	£5,876	£6,032
Monthly lower earnings limit	£490	£503
Four-weekly lower earnings limit	£452	£464
Weekly lower earnings limit	£113	£116

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Tax Year Rates and Allowances

State Pension	2017/2018 rate	2018/2019 rate
Basic State Pension (per week)	£122.30	£125.95
Basic Flat-Rate State Pension	£159.55	£164.35

Miscellaneous rates and allowances	2017/2018 rate	2018/2019 rate
Individual Capital Gains Tax threshold	£11,300	£11,700
Capped Drawdown limit	150% for existing drawdown customers. Capped drawdown hasn't been available for new drawdown requests since 6 April 2015	150% for existing drawdown customers. Capped drawdown hasn't been available for new drawdown requests since 6 April 2015
Hourly National Minimum Wage (age 21-24)	£7.05	£7.38
Hourly National Living Wage (age 25+)	£7.50	£7.83
Pension tax relief limit without relevant UK earnings	£3,600	£3,600
Trivial commutation limit	£30,000 (for Defined Benefit schemes only)	£30,000 (for Defined Benefit schemes only)

How can your pension be passed on?	2017/2018 tax rule	2018/2019 tax rule
If you die before age 75		
Lump sum	Free of income tax*	Free of income tax*
Income	Tax-free	Tax-free
If you die after age 75		
Lump sum	Taxed as income**	Taxed as income**
Income	Income is taxable**	Income is taxable**

Important note:

*A lump sum is subject to the Lifetime Allowance tax charge. It will also only be free of income tax if it's paid within two years from when the scheme is first notified of your death. Any lump sum older than two years will be taxed in the same way as payments made if you die after age 75.

**Income is taxed at the beneficiary's/beneficiaries' rate of income tax.

Protection against the reduction in the Lifetime Allowance

FIXED PROTECTION 2016 AND INDIVIDUAL PROTECTION 2016

The Lifetime Allowance reduced from £1.25 million to £1 million on 6 April 2016. If your pension savings are worth more than the allowance, you have to pay a tax charge on the excess.

You can apply to HMRC for one of the two following protections:

- **Fixed Protection 2016** lets you keep the old Lifetime Allowance of £1.25 million. However, to keep it, you or your employer must not have added to your pension savings since 5 April 2016.
- **Individual Protection 2016** gives you a personal Lifetime Allowance, based on the value of your savings on 5 April 2016, but up to a maximum of £1.25 million. For example, if your savings were worth £1.1 million your Lifetime Allowance will be £1.1 million. If they were worth £1.4 million, your Lifetime Allowance will be £1.25 million. But, unlike Fixed Protection, you'll still be able to build up your pension savings.

In both cases, any amount above the protected allowance will be subject to a tax charge.

You can apply for these protections by using the HMRC online self-service system. Simply go to: www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance and click on the relevant links.