

Bank and building society interest

Are you paying tax when you don't need to?

IR111



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We have a range of services for people with disabilities, including guidance in Braille, audio and large print. Most of our leaflets are available in large print. Please contact us on any of our phone Helplines if you need these services.

Are you paying tax when you don't need to?

Young or old, grandchild or grandparent, everyone who lives in the UK is entitled to some tax-free income.

i Do you have a friend or relative paying tax on their bank or building society interest when they may not need to?

Parents – are your children paying tax when they do not have to?

Tax-free income

Having some tax-free income means that:

- you may not have to have tax taken off your interest by your bank or building society and
- if your bank or building society has taken tax off, you might be able to get some tax back.

How to get your interest without tax taken off

Your bank or building society will usually take tax off your interest.

But how much tax you pay depends on how much income you get and how much you are entitled to get tax-free.

Please follow the *Helpsheet for form R85(2009)* on pages 7-12 to see if you should have tax taken off your bank or building society interest. If you work out that you can get your interest without tax taken off, please complete the form *Getting your interest without tax taken off (R85)* at the end of this leaflet.

Can you get your interest tax-free?

People living abroad

This leaflet is only for people living in the United Kingdom (UK). If you live abroad and would like information about tax on bank and building society interest, please:

- phone **0845 070 0040** - if calling in the UK
- phone UK **+44 151 210 2222** - if calling from outside the UK, or
- visit www.hmrc.gov.uk/cnr/index.htm

How to claim tax back

No tax to pay?

If you have used the Helpsheet on pages 7-12 to work out that you should not pay tax and your account is already open, you can claim back the tax taken off your interest.

Some tax to pay?

The rate of tax will depend on the type of income you receive (earnings or savings) and how much of each type of income you receive.

Most taxable income (up to the basic rate limit of £37,400) is taxed at the basic rate of 20%, but there is a special 10% starting rate for 'savings income' (that is bank and building society interest) that you may be entitled to. The rate at which your savings income is taxable will depend on how much non-savings income you receive (for example, earnings and pensions). If your non-savings income is less than your tax free allowances plus £2,440, then some or all of your savings income will be taxable at 10%.

If you have a mixture of non-savings income and savings income you have to work out if you are entitled to have any of the savings income taxed at 10%. Remember non-savings income is considered first when working out your tax bill. Any savings income above £2,440 will be taxed at 20%.

If your only taxable income is savings income, you are entitled to have the first £2,440 of income above your tax free allowances taxed at 10%. Any savings income above £2,440 will be taxed at 20%.

Banks and building societies will automatically deduct tax at a rate of 20% from the interest you earn. So if you are entitled to have any of your savings income taxed at 10% you will be able to claim some tax back from HM Revenue & Customs.

Claiming tax back for earlier years

Claim by 31 January 2010 and you can go back as far as the tax year 2003-2004.

Claiming tax back already taken off your interest

To claim tax back you have to make a repayment claim.

To find out how to claim and get a claim form:

- phone us on **0845 366 7850** or
- visit www.hmrc.gov.uk/tdsi/forms.htm

Claiming tax back for someone else

You can claim tax back on behalf of someone else if you are:

- the parent of a child (under 16 in Scotland or under 18 in England, Wales and Northern Ireland)
- the next of kin of someone who is incapable of managing their own affairs, or
- a relative of someone who would have difficulty in making a claim, such as someone in poor health.

Others, who have an official status, such as a guardian or someone appointed by the courts, can also claim. If you are thinking of claiming tax back for someone else please phone our Helpline on **0845 366 7850** for details about what to do next.

Other things you may need to know

Children under 16

A note for parents.

Your child is entitled to tax-free income in his or her own right. So he or she may not need to pay tax on interest. Please use the Helpsheet on pages 7-12 to see if this applies to your child.

If it does, you should fill in and sign the form *Getting your interest without tax taken off (R85)* at the end of this leaflet. Then hand it in to the bank or building society. You should also think about claiming tax back.

Gifts of money to children

Where:

- the child's account includes money that was a gift from you, for example, a birthday present, and
- all your gifts to the child produce more than £100 interest (before tax) in a tax year

your child cannot have interest paid without tax taken off and cannot claim any tax back.

For more details and advice on gifts to children:

- phone our Registration Helpline on **0845 980 0645** or
- visit www.hmrc.gov.uk/tdsi/key-info.htm

Children aged 16 and over

The form *Getting your interest without tax taken off (R85)* is the authority for the bank or building society to pay interest without tax taken off. This authority will expire on 5 April following the child's 16th birthday. However, a child can complete a form in his or her own right at any time from 6 April in the tax year that includes their 16th birthday.

Joint accounts

If all the account holders are entitled to interest without tax taken off they should each complete their own form *Getting your interest without tax taken off (R85)*, and hand it in to their bank or building society.

Where the account holders are not all entitled to interest without tax taken off, some banks and building societies will let you split account holders into those who get interest without tax taken off and those who don't.

If your bank or building society allows this, you should complete the form *Getting your interest without tax taken off (R85)* - at the end of this leaflet - and give it to your bank or building society.

If your bank or building society will not accept a form, you should claim tax back on your share of the interest directly from us.

For more details and advice on joint accounts:

- phone our Registration Helpline on **0845 980 0645** or
- visit www.hmrc.gov.uk/tdsi/key-info.htm

Increases in income A note for people who have given their bank or building society a form *Getting your interest without tax taken off (R85)*.

Any increases in your income could mean that you are no longer entitled to get your interest without tax taken off. So please use the Helpsheet on pages 7-12 to check the position again if, for example, you:

- inherit money
- start a new job or
- get a new pension.

If your income increases on or after 6 April 2010:

- phone our Registration Helpline on **0845 980 0645** and ask for a new Helpsheet
- visit **www.hmrc.gov.uk/tdsi/key-info.htm**

Account holder dies If an account holder dies, any interest paid or credited to their account up to the date of death belongs to them. The executor or administrator of the estate should contact the office of the person who has died to arrange any tax back claim.

Interest paid or credited after the date of death belongs to the estate. Even if the person who died was getting interest without tax taken off, this cannot apply to the estate. The executor or administrator of the estate must tell the bank or building society of the death. Tax will then be taken off any interest paid until the estate has been settled.

Any questions? This leaflet does not cover all the details about tax on bank and building society interest. If you have any questions about:

- getting your interest without tax taken off - please phone our Registration Helpline on **0845 980 0645**
- claiming tax back on your interest - please phone us on **0845 366 7850**.

Or you can:

- visit **www.hmrc.gov.uk/tdsi/key-info.htm**
- contact us, our address is in *The Phone Book* under HM Revenue & Customs.

Case studies

Helping someone to get his or her interest without tax taken off and to claim tax back

 See page 2 for details

Anna is 86 years old. She receives state pension of £120 a week and interest of about £80 a year on her savings. She also receives Pension Credit but this will not be taken into account as income. Because Anna's income is less than her tax-free amount she is not a taxpayer, but because she did not know she could receive interest without tax taken off she has never completed a form *Getting your interest without tax taken off (R85)* and given it to her building society. This means she has paid tax on the interest she received. The building society interest Anna should have received is £100, but the building society took off £20 in tax and paid it to HM Revenue & Customs. Anna's home help realised Anna should not be paying tax and rang the Registration Helpline to request a large print version of the form. The Registration Helpline also suggested Anna might be able to claim tax back for the past six years and sent Anna large print versions of the claim form R40. Anna, with her home help's assistance, completed the forms and claimed back £140.

Children over 16 and students

 See page 4 for details

Toby is 22 and training to become a nurse. He receives a bursary and earns about £50 a week working in a restaurant. The bursary is tax-free and is paid directly into his building society account. Toby receives about £100 a year in interest from this money being in his account. Because his total taxable income is about £2,700 a year Toby has completed a form *Getting your interest without tax taken off (R85)* and given it to his building society. If he hadn't done this, he would have only received £80 a year in interest because, although the interest would still be £100, the building society would have taken off tax of £20.

10% starting rate for 'savings income'

 See page 9 for details

Hector has no earnings at all, but he does have savings income of £10,000. Hector's tax free allowances is £6,475 because he is under 65. Hector's taxable income is £3,525. The calculation below shows how this is worked out.

Total income	£10,000
Less tax free allowances	£ 6,475
Taxable income	£ 3,525

10% starting rate for 'savings income' continued

The first £2,440 of taxable income is taxable at the special starting rate for savings of 10% and the rest is taxable at 20%. The calculation below shows how this is worked out.

£2,440	x 10%	= £244
£1,085	x 20%	= £217
Total tax		= £461

Hector's bank will have taken tax off all of his interest at 20% so they will have taken off £2,000 (£10,000 x 20% = £2,000). But Hector is only due to pay £461 tax. This means he can claim a repayment of tax from HM Revenue & Customs of £1,539 (£2,000 - £461).

Helpsheet for form R85 (2009)

This Helpsheet is for you to use and keep.

Please do not give or send it to your bank, building society or your HM Revenue & Customs office.

 Registration Helpline
0845 980 0645

Almost everyone who lives in the United Kingdom (UK) is allowed to earn or receive income of at least £124 each week before tax has to be paid. If your income is below this limit and you have money in a bank or building society account which earns interest, you may be paying tax when you don't have to.

To find out whether this applies to you (or to an account you look after for someone else), please read this Helpsheet and answer the questions.


If you do not live in the UK continually, different rules may apply to you. Please phone the Helpline to find out more.

Children under 18

Children have tax-free allowances too. But if money given by a parent produces interest of more than £100 a year, the interest will be treated as the income of the parent that gave them the money. This rule does not apply to money given by others, including grandparents. For more information, go to www.hmrc.gov.uk and follow the links for Income Tax or phone the Helpline.

**Looking after
an account for
someone else?**

If you look after an account for someone, perhaps a child under 16 or someone who can't manage their own money themselves, use their details (including their address) when you complete the form. For more information, please read the declaration on form R85, *Getting your interest without tax taken off*.

 Registration Helpline
0845 980 0645

Paid too much tax in earlier years?

If you've paid tax on your interest in the past, but now think you should not have done please phone us on **0845 366 7850**.

You have up to five years from 31 January after the end of each tax year to claim tax back. For example, if you paid more tax than you needed to for the tax year 2003-2004, you have until 31 January 2010 to claim it back.

First, work out your tax-free allowance

Your age on 5 April 2010	Annual allowance	Weekly allowance
under 65	£6,475	£124
65 to 74	£9,490	£182
75 or over	£9,640	£185

 Registration Helpline
0845 980 0645

Helpsheet continued

From the tax-free allowance table, enter the annual limit that applies to you in box 1

Box 1	£							.	0	0
-------	---	--	--	--	--	--	--	---	---	---

Married Couple's Allowance

Were you, or the person you are married to or in a civil partnership with, born before 6 April 1935?

If neither of you were born before this date you are not entitled to Married Couples Allowance and you should move on to the next box.

If one of you was born before this date and:

- you are a married man who married before 5 December 2005 or
- you are the spouse or civil partner with the higher income and you married or formed a civil partnership on or after 5 December 2005,

you may be entitled to Married Couples Allowance and you should, for the purpose of completing this form only, enter £4702 in Box 2

Box 2	£							.	0	0
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This is an approximate figure that will enable you to decide whether you can complete form R85. If you are later required to make a Self Assessment return or if you make a claim for repayment of tax, we will need to calculate your tax precisely.

Blind Person's Allowance

Are you registered blind with your local authority or completing this form for someone who is registered? If yes, enter £1,890 in box 3

Box 3	£							.	0	0
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If you live in Scotland or Northern Ireland, your local authority may not keep a register. If this applies to you, please phone the Helpline.

Helpsheet continued

 Registration Helpline
0845 980 0645

Total tax-free allowances

Add together the amounts in boxes 1, 2 and 3.
Enter the total in box 4.

Box 4 £ .

Your annual income

If you are not sure what counts as income, please go to our website or phone the Helpline on **0845 980 0645**. If you are not sure whether income from your National Savings and Investments should be included, please go to the NS&I website at www.nsandl.com or ring the Helpline.

State Pension - your weekly entitlement x 52

Do not include any Pension Credit or any State Pension Lump Sum.

Annual amount

£ .

Other pensions for example, from a previous employer

£ .

Pay from employment, or profits from working for yourself

£ .

Jobseeker's Allowance and taxable Incapacity Benefit

Do not include any Working Tax Credit or Child Tax Credit or any payments or social security benefits such as Child Benefit or Attendance Allowance.

£ .

Helpsheet continued

i Registration Helpline
0845 980 0645

Interest from banks and building societies - include the amount before tax was taken off. This is the gross amount of interest. Do not include ISA interest.

If you have a joint account, only include your share.

£ .

Other taxable income - you should include company dividends. You should not include Student Loans.

£ .

Total annual income

Enter your total income in box 5.

Box 5 £ .

Getting your interest without tax taken off

Is the figure in box 5 less than the figure in box 4 overleaf?

Yes No

If Yes, please complete form R85 and hand it to your bank or building society. You will then receive your interest without tax being taken off it.

If No, please do **not** complete form R85 as you are not eligible to receive interest in this way.

Helpsheet continued **Form R85 *Getting your interest without tax taken off***

 Registration Helpline
0845 980 0645

If you calculate that your annual income is lower than your tax-free allowances you should complete form R85, *Getting your interest without tax taken off*.

By completing form R85 you are telling your bank or building society that you do not have to pay tax.

If your income goes up and that means that you should start paying tax, you must tell each bank or building society with whom you have an account. It is not their responsibility to check that the information you have given on form R85 is true or up to date. Please note however that we may check the information you have given.

If you open a new account you will need to complete another form R85.

If your bank or building society has already taken tax off your interest in this tax year 2009-2010, which runs from 6 April 2009 to 5 April 2010, they may be able to repay it to you.

Helpline **0845 980 0645**

Typetalk is available using prefix number 18001
Monday to Friday 8.00 to 17.00

Further information

If you need help or further information about getting interest without tax being taken off, please phone the helpline.

A Braille version of this Helpsheet is available from the Helpline.

For a large print version of this Helpsheet or form R85, phone the Helpline or go online to **www.hmrc.gov.uk** and search for R85 large print.

Before you fill in this form, please read these notes carefully
To check whether you are entitled to receive interest without tax being taken off, you must read R85 Helpline (2009) first.

Is your income below your annual tax-free allowance?

If completing this form on behalf of the saver, refer to their income

Yes No

If Yes, please complete this form. If No, please do not complete this form as you are not eligible to receive interest in this way. If you are not sure, please read the Helpline again or phone the Helpline on **0845 980 0645**.

By completing this form R85 you are telling your bank or building society that you do not have to pay tax on the interest paid to you.

If your income goes up, above your annual tax-free allowance, you must tell your bank or building society. It is not their responsibility to check that the information you have given on this form is true or up-to-date. Please note that we may check the information you have given.

You must complete a separate form for each bank or building society with whom you have an account. If you open a new account you will need to complete another form R85.

Saver's details

Title

Surname

First name(s)

Date of birth DD MM YYYY

Full address

Do not use a PO Box number or 'care of' address

Postcode

National Insurance number *You may find this on a P60, P45, pension letter or payslip. For a saver under 16, leave blank*

Account details

Name of bank or building society

Branch name

Sort code

 - -

Account number (1)

Tick box if a joint account

Account number (2)

Tick box if a joint account

You can make this declaration on behalf of the saver if:

- you are the parent or guardian of the saver if the saver is under 16 at the beginning of the tax year in which the payment of interest is made
- you hold a power of attorney to administer the financial affairs of the saver
- you are the parent, guardian, spouse or a child aged 16 or over, of the saver where the saver is mentally incapacitated
- you are the receiver or other person appointed by any court in the UK to handle the affairs of the saver where the saver is mentally incapacitated
- you have been appointed by the Department for Work and Pensions (DWP) to claim or receive benefits on behalf of the saver where the saver is mentally incapacitated.

If you have difficulties signing or making a mark, please phone the Helpline.

Declaration

I declare that

- my income (or the saver's income, if this form is completed on their behalf) is below my annual tax-free allowance **and**
- if it increases above the annual limit I will tell the bank or building society straightaway.

I understand that HM Revenue & Customs may check the information given on this form.

Signature

Date DD MM YYYY

Please give or send your completed form to your bank or building society.

Customer Service

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.

Customers with particular needs

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

- wheelchair access to nearly all HMRC Enquiry Centres
- help with filling in forms for people with hearing difficulties
 - RNID Typetalk
 - 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 to www.hmrc.uk/enq or
- contact us. You will find us in *The Phone Book* under HM Revenue & Customs.

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

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& Customs**