

Transferable Tax Allowance Briefing April 2016



Introduction

Since 2015, couples have been able to transfer £1,100 of their unused personal tax allowance to the tax paying partner and thereby reduce their income tax bill. This briefing explains how the process works and how couples can make a claim.

Who qualifies for the TTA?

To qualify you have to:

- Be married or in a civil partnership (living together doesn't count)
- Both parties need to be born on or after 6 April 1935
- One partner needs to be a non-taxpayer, which means having an income of less than the £11,000 personal allowance (£10,600 for 2015/16)
- The other partner needs to be a basic 20% rate taxpayer (couples with a higher- or additional-rate taxpayer are not eligible for this allowance). This means your income would need to be less than £43,000 (£42,385 for 2015/16)

How does the system work?

The partner who has an unused amount of personal tax allowance can transfer £1,100 of their allowance to the other partner. This effectively increases the tax paying partner's personal tax allowance from £11,000 to £12,100. As they would have paid 20% on that additional £1,100 if their allowance had not been increased, they effectively save 20% of £1,100 equal to £220 a year.

How can you apply?

You can use the application at www.gov.uk/marriage-allowance or by phone on 0300 200 3300. To do it you'll need both your National Insurance numbers, and one of a range of different acceptable forms of ID for the non-taxpayer. However, it's the non-taxpayer who must apply to transfer their allowance.

How will the backdated money be paid?

If you apply online you'll get the backdated amount as a tax code adjustment, which means you will pay less tax in future. If you apply over the phone you can choose to do it like that or get it as a lump sum cheque, though you may need to press HMRC to get it as a cheque as it's a brand new option.

What happens if you've applied and then cease to be eligible?

If that happens HMRC will know (you don't need to tell them) and alter your tax code to claw it back via the payroll (or self assessment for the self employed).

Can the transfer be backdated?

Yes, you will be allowed to claim back up to four years, but the system only started in April 2015, so at the moment you can only claim for two years. In 2015 the amount that could be transferred was £1000.

Do you have to apply every year?

No. Your personal allowance will transfer automatically to your partner every year until one of you cancels the marriage allowance or you inform HMRC that your circumstances have changed, eg, because of divorce, employment pushing you into a higher rate tax threshold, or death.

What happens if one partner dies?

If your partner dies after you've transferred £1,100 to them, their estate will be treated as having an increased personal allowance while your own personal allowance will revert back to what it was before the transfer.

If your partner transferred some of their personal allowance to you before they died, then your own personal allowance will stay at the higher level until the end of the tax year while their estate will be treated as having the lower amount.

What help is available to those who were born before 6 April 1935?

If one of you is over 81, then you could be eligible for the married couple's (and civil partner's) allowance. This could give you a reduction on your tax bill of up to £835. However, if you're an unmarried couple (even if you're living together), then you do not qualify. You can find out more by visiting www.gov.uk/married-couples-allowance or by calling HMRC.