

Here's how it works

If your income is £100,000 or more, the rate of Income Tax you pay will be impacted by the gradual removal of the £12,570 personal allowance (the amount of income you can receive each year without paying Income Tax). It's currently tapered away at a rate of £1 for every £2 you earn above £100,000.

Here's an example. Let's say your salary has increased from £100k to £110k. Here's how the extra £10k would be taxed:

Did you know...

It's often thought that the highest UK tax rate is 45% but that's not the case. If your income is more than £100,000 per year, you could be taxed at a rate of 60% on income between £100,000 and £125,140.

£4,000

This is the standard 40% Income Tax for a higher rate taxpayer.



£2,000

This is the additional Income Tax as the personal allowance is reduced by £5,000.



£6,000

Total Income Tax paid. That's 60% of the pay rise you received.

Three things to consider:

1

Making pension contributions on any excess income over £100,000 can effectively prevent your taxable income from going above the £100,000 threshold and into the 60% tax trap.

2

Pension contributions also benefit from tax relief at your marginal rate.

3

Making donations to a qualifying charity can also reduce taxable income in the same way as making pension contributions.

With our **invaluable advice** we can help you maximise your allowances - and create the future you want.

The value of a pension with St. James's Place will be directly linked to the performance of the funds you select and the value can therefore go down as well as up. You may get back less than you invested.

The levels and bases of taxation, and reliefs from taxation, can change at any time and are generally dependent on individual circumstances.

Any tax relief over the basic rate is claimed via your annual tax return.

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