

### The 10% starting rate for savings income – example – 2012-13

John is aged 62. He has an occupational pension of £10,715 and bank interest of £500 (so total taxable income of £11,215).

The savings income is treated as the 'top slice' of his income. So his tax free personal allowance of £8,105 (under 65 rate) is first set against his pension income, not his savings income (see pale green box on the chart).

John's pension is more than £8,105 so the balance of his pension income, £2610 (= £10,715 - £8,105) is taxed at 20% (dark green box on the chart). This extra £2,610 of pension income means that John can't access all the 10% starting rate for savings.

John's savings income of £500 is then taxed as follows:

- the first £100 at 10% (pale blue on chart), this uses up the remainder of the 10% starting rate for savings;
- the balance of £400 is then taxed at 20%

