**Tax on savings interest**

1. How much tax you pay
2. [Previous tax years](https://www.gov.uk/apply-tax-free-interest-on-savings/previous-tax-years)

**1. How much tax you pay**

From 6 April 2016, most people can earn some income from their savings without paying tax.

This is called a Personal Savings Allowance. It applies to each tax year, from 6 April to 5 April the following year.

**Personal Savings Allowance**

If your total [taxable income](https://www.gov.uk/income-tax) is £17,000 or less you won’t pay any tax on your savings income.

Otherwise your allowance depends on which [Income Tax band](https://www.gov.uk/income-tax-rates) you’re in.

| **Income Tax band** | **Tax-free savings income** |
| --- | --- |
| Basic rate | £1,000 |
| Higher rate | £500 |
| Additional rate | £0 |

You’ll pay tax on any income above this at your [usual rate of Income Tax](https://www.gov.uk/income-tax-rates).

**Savings covered by the allowance**

The allowance applies to interest from:

* bank and building society accounts
* savings and credit union accounts
* unit trusts, investment trusts and open-ended investment companies
* peer-to-peer lending

The allowance also applies to income from:

* government or company bonds
* life annuity payments
* some life insurance contracts

Savings already in tax-free accounts like [Individual Savings Accounts](https://www.gov.uk/individual-savings-accounts) (ISAs) and some [National Savings and Investments](http://www.nsandi.com/) accounts don’t count towards the allowance.

There are different rules for tax on [foreign savings](https://www.gov.uk/tax-foreign-income) and [children’s accounts](https://www.gov.uk/savings-for-children).

**If you go over your allowance**

If you’re employed or get a pension, HMRC will change your tax code so you pay the tax automatically.

If you complete a [Self Assessment tax return](https://www.gov.uk/self-assessment-tax-returns/overview), report the extra income there.

**If you already paid tax on your savings income**

You can reclaim tax paid on your savings income if it was below your allowance. You must reclaim your tax within 4 years of the end of the relevant tax year.

[Fill in form R40](https://www.gov.uk/government/publications/income-tax-claim-for-repayment-of-tax-deducted-from-savings-and-investments-r40) and send it to HMRC. It normally takes 6 weeks to get the tax back.

**2. Previous tax years**

If you’re self-employed, or have savings interest from tax years starting before 6 April 2016, you’ll have to report it in a [Self Assessment tax return](https://www.gov.uk/self-assessment-tax-returns).

**Declaring interest from previous tax years (6 April to 5 April)**

Add up all your bank and building society savings and give a total amount for the interest you received after tax was deducted (net interest).

Your bank or building society can send you a ‘Certificate of Tax Deducted’ or a statement after the end of each tax year (5 April) which will tell you your net interest.

If you have a joint account with a husband, wife or civil partner you should declare half of the income as yours. The second half counts towards their income.

**Reclaim tax from previous years**

You can reclaim tax paid on your savings interest if your income was below your [Personal Allowance](https://www.gov.uk/income-tax-rates). You must reclaim your tax within 4 years of the end of the relevant tax year.

**How to claim**

Fill in [form R40](https://www.gov.uk/government/publications/income-tax-claim-for-repayment-of-tax-deducted-from-savings-and-investments-r40) and send it to HM Revenue and Customs (HMRC). It normally takes 6 weeks to get the tax back.