

A short guide to the tax year 2021/22



Pensions

The **state pension** amounts are as follows:

- The **basic state pension** (for people who retired before 6 April 2016) is **£137.60**.
- The **single-tier state pension** (for people who retired after 6 April 2016) is **£179.60**.

The **annual allowance** for pension contributions is capped at **£40,000** a year, though you can't invest more than you earn.

The **lifetime allowance** for pension contributions is **£1,073,100**.

The **tapered annual allowance** for pension contributions is **£4,000** for those affected.

- The threshold income is **£200,000** and the adjusted income is **£240,000**.

The **money purchase annual allowance** (MPAA) for pension contributions is **£4,000** a year.



ISAs

The **ISA allowance** is **£20,000**.



Saving for children

The **Junior ISA** allowance is **£9,000** per child.

The Junior Self-Invested Personal Pension (**Junior SIPP**) allowance is **£2,880** per child.

- The government will add **20%** tax relief on top of this bringing the total to **£3,600**.



Other tax and benefit allowances

The **marriage allowance** is **£1,260**.

The **annual dividend allowance** is **£2,000**.

If you do not pay higher rate income tax, the **Capital Gains Tax** (CGT) rate is **10%**.

- For higher tax bands this rate increases to **20%**.

► A glossary is available on the following page

Personal Income Tax rates for 2021/22

	England, Wales and Northern Ireland	Scotland
Personal allowance	£12,570	£12,570
Starter rate	N/A	19% on earnings between £12,571 and £14,667
Basic rate	20% on earnings between £12,571 and £50,270	20% on earnings between £14,668 and £25,296
Intermediate rate	N/A	21% on earnings between £25,297 and £43,662
Higher rate	40% on earnings between £50,271 and £150,000	41% on earnings between £43,663 and £150,000
Additional rate	45% on earnings above £150,000	46% on earnings above £150,000

The tax bands shown assume that you are in receipt of the full personal allowance. For every £2 of 'adjusted net income' over £100,000, this allowance is reduced by £1. This changes the starting point for the other tax bands. Individuals with income of £125,000 or more will see their personal allowance drop to zero. Scottish Income Tax rates do not apply to savings or dividend income. These are taxed at the standard UK rates.

	Tax rate	Personal savings allowance	Tax rate on dividend income
Basic rate tax payer	20%	£1,000	7.5%
Higher rate tax payer	40%	£500	32.5%
Additional rate tax payer	45%	£nil	38.1%

Glossary

Here's a quick overview of what the technical terms in this document mean. You can find out more at [fidelity.co.uk](https://www.fidelity.co.uk)

- Annual allowance:** The limit on how much you can save into your pensions each tax year while still benefiting from tax relief on your contributions, any employer contributions and any contributions made on your behalf by someone else. 'Carry forward' can allow you to pay in more than the allowance in a tax year and still receive the tax relief. Please see our website for more information.
- Annual dividend allowance:** You will only pay tax on any dividend income above the dividend allowance. You do not pay tax on dividends from shares in an ISA.
- Automatic enrolment:** Auto enrolment is a government initiative that makes it compulsory for employers to bring eligible workers into a pension arrangement to help their employees save for later life.
- Capital Gains Tax:** A tax on profits from the sale of investments or assets. The gain you make is taxed, not the amount of money you receive. You are allowed to make a certain amount of profit before you pay CGT. ISAs and pensions are exempt from CGT. Please see our website for more information.
- Lifetime allowance:** The total amount you can build up in pension benefits over your lifetime that will enjoy full tax benefits. If you go over the allowance you will generally pay a tax charge on the excess when you take a lump sum or income from your pension pot, transfer overseas or reach age 75 with unused pension benefits.
- Marriage allowance:** Lets you transfer £1,250 of your Personal Allowance to your husband, wife or civil partner. To benefit as a couple, you (as the lower earner) must normally have an income below your Personal Allowance – this is usually £12,500. When you transfer some of your Personal Allowance to your husband, wife or civil partner you might have to pay more tax yourself, but you could still pay less as a couple. You cannot claim Marriage Allowance if you're living together but you're not married or in a civil partnership. If you or your partner were born before 6 April 1935, you might benefit more as a couple by applying for Married Couple's Allowance instead.
- Money purchase annual allowance:** Limits how much can be paid into your money purchase pensions in any one tax year while still benefiting from tax relief if you have taken taxable income from your pension pot using pension freedoms (i.e. more than the tax-free part). If you exceed the MPAA, a tax charge is payable, which effectively claws back any tax relief that was given at source.
- Tapered annual allowance:** The annual allowance of £40,000 may be reduced or 'tapered' if your 'threshold income' (your annual income before tax less any personal pension contributions and ignoring any employer contribution) is over £200,000. It reduces the annual allowance by £1 for every £2 that your 'adjusted income' is over £240,000. The maximum reduction is £36,000 which reduces the annual allowance to £4,000, but only once adjusted income reaches £240,000.