

67.5% Tax Trap

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:

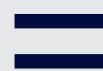
£4,500

This is the standard 45% Income Tax for 'advanced rate tax payers'.



£2,250

This is the additional Income Tax a result of the reduction in the personal allowance (which is reduced by £5,000).



£6,750

Total Income Tax paid. That's 67.5% of the pay rise you received.

Three things to consider:

01

Making pension contributions can prevent your adjusted net income from going above the £100,000 threshold and into the 67.5% tax trap.

02

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

03

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

Contact us to talk through the **tax reliefs and allowances** available to you, and how they can support your financial plan.

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.



Andrew Macintyre

Fellow of the Personal Finance Society

Director

Macintyre Wealth Management Ltd



01887 377810

macintyrewellth@sjpp.co.uk

www.macintyrewellth.co.uk

Partner Practice

**St
James's
Place**

Macintyre Wealth Management Ltd is an Appointed Representative of and represents only St. James's Place Wealth Management plc (which is authorised and regulated by the Financial Conduct Authority) for the purpose of advising solely on the group's wealth management products and services, more details of which are set out on the group's website www.sjp.co.uk/products. The 'St. James's Place Partnership' and the titles 'Partner' and 'Partner Practice' are marketing terms used to describe St. James's Place representatives.