ST. JAMES'S PLACE
WEALTH MANAGEMENT

Don't get caught in the 60% tax trap

Because of a quirk in the way personal allowances work, there is effectively a 60% Income Tax rate on earnings between £100,000 and £125,140

1

If you earn

£100,000

OR MORE PER YEAR

your £12,570 personal allowance
is reduced at a rate of £1 for every £2
you earn above £100,000

Don’t let your pensions annual allowance
go to waste. Use it by 5 April 2022.

2

This means that for every

£100

of income between £100,000 and £125,140

You only take home

£40

with £40 taken in Income Tax and another £20 lost due to the gradual removal of the personal allowance

Don’t let your pensions annual allowance go to waste. Use it by 5 April 2022.

3

This amounts to an effective tax rate of

60%

on the first £25,140 you earn over £100,000

Once you earn £125,140 or more, you don't benefit from any personal allowance

Here's one way you could use your tax allowances to reduce the amount you pay...

Don't let your pensions annual allowance go to waste. Use it by 5 April 2022.

4

For example, say you
get a pay rise of

£10,000

That takes your
taxable income to

£110,000

Don’t let your pensions annual allowance
go to waste. Use it by 5 April 2022.

5

If you pay that extra £10,000 into your pension, it takes you back out of the 60% zone – and you also benefit from higher-rate tax relief on that contribution at 40%, which means an extra

£4,000

for you

Don’t let your pensions annual allowance go to waste. Use it by 5 April 2022.

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Get in touch to find out more about **avoiding tax traps like this** – and to make sure you're not wasting your allowances before their use-by date at the end of this tax year (5 April).

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The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than the amount invested.

The levels and bases of taxation and reliefs from taxation can change at any time. Tax relief is dependent on individual circumstances.

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