

Let's Talk

Tax & Benefits

Police
Mutual

March 2022

In the UK, we have one of the most complex tax and benefits systems, so it's important to understand the basics.

Tax Year

The UK tax year runs from the 6th April to the 5th April the following year. Each year, the Chancellor of the Exchequer delivers a Budget Statement to the House of Commons, announcing the government's tax and spending plans for the year ahead and proposed changes to taxation.

For more details on the most recent budget changes, click [here](#).

Key dates:

- **5th April**
End of last tax year.
- **6th April**
First day of new tax year.
- **31st May**
Deadline for copies of P60 documents to be issued to employees.
- **31st October**
Deadline for paper submission of self-assessment tax returns for the previous tax year.
- **31st January**
Deadline for online self-assessment tax returns the previous tax year.

Income Tax

Tax codes and allowances

Your tax code will normally start with a number and end with a letter. 1257L is the tax code for 2021/2022 tax year currently used for most people who have one job or receive a pension. This is the amount you can earn before having to pay any tax. This personal allowance will remain the same for the tax year 2022/23.

So for someone with a tax code of 1257L, they can earn £12,570 before having to pay any income tax.

- **Basic rate tax (20%)** **Your personal allowance to £50,270 pa**
- **Higher rate tax (40%)** **£50,271 to £150,000 pa**
- **Additional rate (45%)** **over £150,000 pa**

For more details on how your tax code is calculated and what it means click [here](#).

Personal savings allowance

Personal savings allowance refers to the amount of income generated from savings each year.

- **Basic-rate taxpayers can earn up to £1,000 in savings interest before paying tax.**
- **Higher-rate taxpayers can earn up to £500 in savings interest before paying tax.**
- **Additional rate tax payers do not have a personal savings allowance.**



National Insurance

You pay National Insurance contributions to qualify for certain benefits and the State Pension.

You pay mandatory National Insurance if you're 16 or over and are either:

- **an employee earning above £184 a week**
- **self-employed and making a profit of £6,515 or more a year**

There are different types of National Insurance (known as 'classes'). The type you pay depends on your employment status and how much you earn.

If you're employed, you stop paying Class 1 National Insurance when you reach the State Pension age.

If you're self-employed you stop paying:

- **Class 2 National Insurance when you reach State Pension age**
- **Class 4 National Insurance from 6 April (start of the tax year) after you reach State Pension age**

Value Added Tax (VAT)

VAT standard rate of 20% is paid on most goods and services. Some goods have a reduced rate payable

of 5% and these include items such as children's car seats and home energy. There are also some goods and services that have a zero rate of VAT payable and these include most food and children's clothes. Other items are completely exempt from VAT including postage stamps and property transactions (which is taxed in a different way).

Capital Gains Tax

Capital Gains Tax is a tax on the profit when you sell (or 'dispose of') something (an 'asset') that's increased in value. It's the gain you make that's taxed, not the amount of money you receive.

Some assets are tax-free. You also do not have to pay Capital Gains Tax if all your gains in a year are under your tax-free allowance £12,300 or £6,150 for trusts.

Disposing of an asset includes:

- **selling it**
- **giving it away as a gift, or transferring it to someone else**
- **swapping it for something else**
- **getting compensation for it - like an insurance payout if it's been lost or destroyed**

NATIONAL INSURANCE CLASS	WHO PAYS
Class 1	Employees earning more than £184 a week and under State Pension age - they're automatically deducted by your employer.
Class 1A or 1B	Employers pay these directly on their employee's expenses or benefits.
Class 2	Self-employed people earning more than £6,515 a year. If you're earning less than this, you can choose to pay voluntary contributions to fill or avoid gaps in your National Insurance record.
Class 3	Voluntary contributions - you can pay them to fill or avoid gaps in your National Insurance record.
Class 4	Self-employed people earning over £9,568 a year.



Inheritance Tax

Inheritance Tax is a tax on the estate (the property, money and possessions) of someone who's died.

There's normally no Inheritance Tax to pay if either:

- **the value of your estate is below the £325,000 threshold**
- **you leave everything above the £325,000 threshold to your spouse, civil partner, a charity or a community amateur sports club**

If the estate's value is below the threshold you'll still need to report it to HMRC.

If you give away your home to your children (including adopted, foster or stepchildren) or grandchildren your threshold can increase to £500,000.

If you're married or in a civil partnership and your estate is worth less than your threshold, any unused threshold can be added to your partner's threshold when you die. This means their threshold can be as much as £1 million.

The standard Inheritance Tax rate is 40%. It's only charged on the part of your estate that's above the threshold.

The estate can pay Inheritance Tax at a reduced rate of 36% on some assets if you leave 10% or more of the 'net value' to charity in your will.

Reliefs and exemptions - some gifts you give while you're alive may be taxed after your death.

Depending on when you gave the gift, 'taper relief' might mean the Inheritance Tax charged on the gift is less than 40%.

Other reliefs, such as Business Relief, allow some assets to be passed on free of Inheritance Tax or with a reduced bill.

Who pays the tax to HMRC - funds from your estate are used to pay Inheritance Tax to HM Revenue and Customs (HMRC). This is done by the person dealing with the estate (called the 'executor', if there's a will).

Your beneficiaries (the people who inherit your estate) do not normally pay tax on things they inherit. They may have related taxes to pay, for example if they get rental income from a house left to them in a will.

People you give gifts to might have to pay Inheritance Tax, but only if you give away more than £325,000 and die within 7 years.

For more details on inheritance tax click [here](#).



Tax Relief and claiming tax back

If you contribute to a recognised staff association such as the **Police Federation** you can claim an allowance against those subscriptions. If you have never claimed for this, all is not lost because you can claim for up to six previous years.

Police officers may be able to claim tax relief on the cost of cleaning their uniform. HMRC will allow an employee to claim for reasonable upkeep costs (i.e. laundry) of clothing. Click [here](#) for more information.

You can check if you can claim [here](#).



Police pay and overtime

For all the police pay scales, click on the various links below:

[Police Constables](#)

[Police Sergeants](#)

[Police Inspectors](#)

[Police Superintendents](#)

Overtime for Constables and Sergeants is potentially payable when:

- You remain on duty after your tour of duty ends
- You are recalled between two tours of duty or
- You are required to begin earlier than the rostered time without due notice and on a day when you have already completed your normal daily period of duty.

For more details on overtime and rest days, please check your own force Federation website or intranet page.

Please remember that overtime cannot be included in your income when you are applying for a mortgage and can stop at any time.

You can track all of your overtime on the PFEW App, click [here](#) for more details.

Second jobs – If you have a second job you will be liable to tax, at the appropriate rate and NI payments on all earnings from your second job as you will have used your tax allowance for your police salary.





Benefits

Sick pay

An officer, who is absent on sick leave in accordance with regulation 33, shall be entitled to full pay for a period of 6 months in any one year period. Thereafter the officer becomes entitled to half pay for 6 months in any one year period.

The Chief Officer of police may, in a particular case, agree an additional discretionary payment.

If you wish to further protect your income in the event that you are unable to work due to illness or injury then you may wish to consider taking out a private income protection policy.

You may also wish to consider taking out a critical illness policy which provides a lump sum pay out in the event of a critical illness.

Maternity pay

Overview

When you take time off to have a baby you might be eligible for:

- **Statutory Maternity Leave**
- **Statutory Maternity Pay**
- **paid time off for antenatal care**
- **extra help from the government**

There are rules on when and how to claim your paid leave and if you want to change your dates.

You can work out your maternity pay and leave [online](#).

You may also be eligible to get Shared Parental Leave and Pay.



Police Maternity Leave

Police officers are entitled to take up to 15 months maternity leave, irrespective of their length of service. Maternity leave can be taken in one or more blocks, 6 months before and 12 months after the week the baby is due. Leave can be started at any time after the 13th week of pregnancy. All maternity leave must start on a Sunday.

Officers should give notice of their intention to take maternity leave by the 15th week before the Expected Week of Confinement, but are encouraged to inform line managers as soon as possible. Form MAT1A should be completed and forwarded to line managers.

Regulatory Maternity Pay

Officers who have 63 weeks continuous service at the beginning of the Expected Week of Confinement (EWC) Sunday, will be entitled to full pay and allowances for the first 18 weeks of maternity leave.

Officers have the option with the agreement of the Chief Officer to elect to be paid half pay for the period commencing on the 14th week until the 23rd week instead of receiving full pay for the period 14th to the 18th week.

Where officers receive regulatory maternity pay, they must return to work for at least 1 month following maternity leave.

Statutory Maternity Pay (SMP)

Police officers who have at least 26 weeks service by the end of the 15th week before the Expected Week



Paternity pay and leave

When you take time off because your partner's having a baby, adopting a child or having a baby through a surrogacy arrangement you might be eligible for:

- 1 or 2 weeks' paid Paternity Leave
- Paternity Pay
- Shared Parental Leave and Pay

Paternity leave is known in the Police Service as Ordinary & Additional Maternity Support Leave or Ordinary & Additional Adoption Support Leave.

Officers who are the father of the baby, the second parent in a couple who are adopting, or another person nominated by the child's mother can have up to 2 weeks off work (2 x 40 hours/pro-rata for part time officers) to help the mother care for the child at or around the time of the birth or adoption. The 2 weeks do not have to be taken together. Each period of a week can be taken separately.

Week 1 of Ordinary Maternity/Adoption Support Pay is paid at an officer's normal rate of pay and week 2 is paid at the Statutory Paternity Pay rate for most officers.

For more details on paternity pay and leave click [here](#).

Other Benefits

Universal Credit

Universal Credit is a payment to help with your living costs, it's usually paid monthly or twice a month for some people in Scotland to those on a low income or out of work.

Universal Credit replaced, child tax credit, housing benefit, income support, income-based jobseeker's allowance, income-related employment and support allowance and working tax credit.

For more details on Universal Credit or to check if you are eligible for any benefits click [here](#).



Carers and Disability benefits

There are a range of various benefits that you may be entitled to as someone with a disability or as a carer.

To find out more information and what you may be eligible for click [here](#).

Child Benefit

You can claim child benefit if you're responsible for bringing up a child who is under 16 or under 20 and still in approved education. The benefit is paid every 4 weeks and there is no limit on how many children you can claim for.

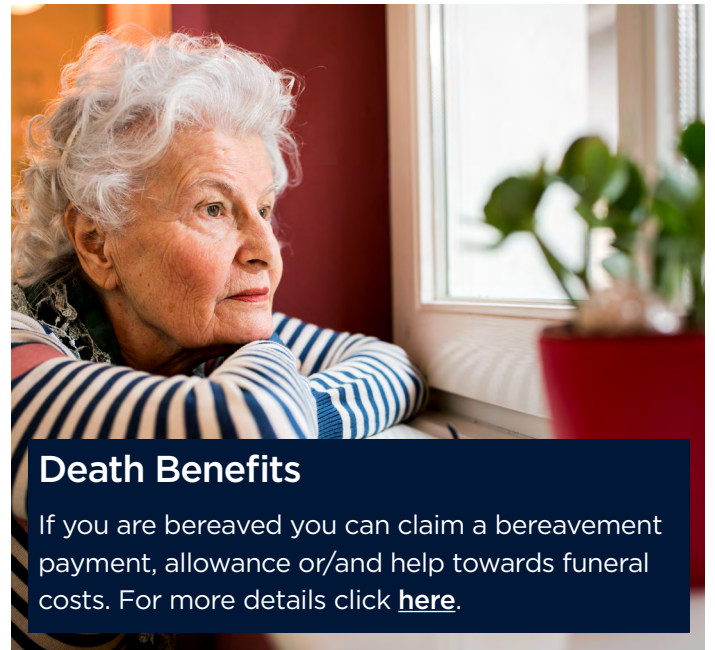
If you or your partner earn over £50,000 pa you may have to pay some or all of your child benefit back in tax.

For more details on how to claim child benefits and other benefits for children click [here](#).



Heating and Housing Benefits

There are various housing and heating benefits, for more details of these benefits and to see if you are eligible for any of these click [here](#).



Death Benefits

If you are bereaved you can claim a bereavement payment, allowance or/and help towards funeral costs. For more details click [here](#).

Getting Further Help:

• [Gov.uk](#) • [Police Federation England and Wales](#) • [MoneyHelper](#)

For more information about the products and services available from Police Mutual:

Call us 01543 441630
Visit [policemutual.co.uk](https://www.policemutual.co.uk)

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