

The Marriage Allowance

Overview, FAQs and How to Claim

Introduction

The Marriage Allowance is a government scheme to help couples to be tax efficient with their combined earnings.

It's a great way for couples to make the most of their combined income, but according to BBC research over one million eligible UK couples are still not claiming this tax break - which could be worth £900 per couple.

This guide will help you to work out whether you are eligible for The Marriage Allowance, help you to understand how the tax break works, and tell you how to claim.

Are you eligible?

You are only eligible if you meet ALL of the following criteria:

- Married or in a civil partnership
- One partner earning £11,850 or less
- The other partner earning less than £46,350 (£43,430 in Scotland)
- Both born after 6 April 1935



How does the marriage allowance work?

Everyone gets a tax-free annual allowance, in the tax year 2018-2019 this is £11,850. It means that you can earn up to this amount and not pay any tax or National Insurance to the government. Anything you earn above this is taxed.

The Marriage Allowance is a government scheme to help couples where one partner earns less than £11,850. Where someone is earning below £11,850 they aren't receiving all of their tax-free allowance. So they can transfer £1,190 (close to 10%) of this allowance to their partner. This means that their partner is taxed on less of their salary, so their take-home pay increases. This can save couples up to £238 a year.

Here's how it affects each person:

- The higher earner's Personal Allowance increases from £11,850 to £13,040 - they'll pay £238 less tax because of this increase.
- The lower earner's Personal Allowance goes down to £10,660 - they won't pay any tax if they earn less than this.

How to apply

The person on the lower income must apply to transfer their allowance to their partner - you can not apply if you are the higher earner. You can apply online at <https://www.gov.uk/apply-marriage-allowance>

You will need:

- Your National Insurance number
- Your partner's National Insurance number
- Proof of ID - such as a passport or UK driver's license
- If you are in receipt of other benefits or a pension you will need to provide your bank details

If the application is successful then the allowance will be backdated to the start of the current financial year.

If you have any issues with the online application system you can claim over the phone - call HMRC on 0300 200 3300 if you have difficulties with the website form.

You need to tell HMRC if your circumstances change

If you divorce, your partner dies, or your earnings permanently increase so that you are no longer eligible, you must tell HMRC. The marriage allowance automatically rolls over into each new tax year, so it is important that you tell HMRC when your circumstances change.

Be careful if you earn just above or below £11,850

There are certain scenarios where the marriage allowance is not financially beneficial and you will actually pay more tax by claiming it. This is mainly seen if the person transferring their allowance earns between £10,660 and £11,850, and the higher earner earns just over £11,850.

Widowers can now make a backdated claim

If you would have been eligible between 2015 and today for the marriage allowance, but your partner passed away after 06 April 2015, you can still make a backdated claim.

A change to the marriage allowance in November 2017 means that widowers can make a backdated claim. So if you and your spouse were eligible for it at any time from April 2015 (when the allowance was introduced) but you didn't claim before the death of your partner, you can now apply retrospectively.

You'll be eligible for a payment for any year in which both of you were alive – and, even if your partner died on day one of the new tax year, you'd get the payout for the whole tax year. It doesn't matter if you were the lower or higher earner, you can still make the claim.

Give HMRC a call on 0300 200 3300
if you are making a claim as a widower.





FAQs

What if one or both of us is self-employed?

As long as you meet the eligibility requirements you can claim the marriage allowance through your self-assessment tax return.

We've been eligible for years and had no idea - can we claim for previous years as well?

Yes. You can backdate your application to 6th April 2015 - when the marriage allowance was introduced - as long as you met the criteria in each financial year. The value of the backdated claim is £212 in 2015/16, £220 in 2016/17, and £230 in 2017/18.

How is the backdated allowance paid?

Money for previous years will be sent via cheque - the current year's allowance will be received via adjustments to your tax code.

What if one person's earnings only fall below £11,850 temporarily (due to parental leave or a period of unemployment) or our earnings vary month to month?

The important thing with the marriage allowance is your total earnings for the year. So if your earnings temporarily drop, but you still earn more than £11,850 over the course of the year, then the marriage allowance is not applicable. However, if your drop in earnings means that you earn less than £11,850 across the year you will be able to claim. If your earnings return to a higher level in future you will need to tell HMRC that your circumstances have changed and that you are no longer eligible.

What if one of us gets a mid-year pay rise or receives a bonus that pushes our earnings over the threshold for the year?

At the end of the tax year HMRC will reconcile your tax affairs and will make an adjustment to your tax code to recover any tax due in the following year. If your increase in earnings is permanent you should inform HMRC so that you stop claiming for the next tax year.

Do we need to re-apply each year?

No, the allowance will automatically transfer each year until you tell HMRC that your circumstances have changed. (Such as divorce, permanent increase in earnings, or death of your partner.)

Information correct as of 14th August 2018. This information does not constitute financial advice, always do your own research to ensure the marriage allowance is right for your specific circumstances.

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