

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 over £1,000 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 £12,500 or less in the 2020-2021 Tax Year
- The other partner earning less than £50,000 (£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 2020-2021 this is £12,500. It means that you can earn up to this amount and not pay any tax to the government, and you may pay less National Insurance as well. Anything you earn above this is subject to tax and National Insurance.

The Marriage Allowance is a government scheme to help couples where one partner earns less than £12,500. Where someone is earning below £12,500 they aren't receiving all of their tax-free allowance. So they can transfer £1,250 (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 £250 a year.

Here's how it affects each person:

- The higher earner's Personal Allowance increases from £12,500 to £13,750 - they'll pay £250 less tax because of this increase.
- The lower earner's Personal Allowance goes down to £11,250 - 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

You can apply at any time during the year and 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 only just above or below £12,500

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 on the lower income earns between £11,250 and £12,500, and the higher paid person earns just over £12,500

Widowers can now make a backdated claim

If you would have been eligible 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 up to four full tax years. The amounts for each year are:

2016-2017: £220

2017-2018: £230

2018-2019: £238

2019-2020: £250

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 we weren't eligible before, but furlough/unemployment has reduced our earnings?

The important thing with the marriage allowance is your total earnings for the year. So if your earnings drop due to unemployment or furlough so that you now qualify for the marriage allowance (see page 1 for eligibility) when you look at your earnings for 2020-2021, you can make a claim. You may find it better to wait until April 2021 and submit a claim for the full year, especially if you are unsure what your earnings will be between now and the end of the tax year.

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 underpaid tax 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 - for instance if you divorce, achieve a permanent increase in earnings that take you over the applicable thresholds, or the death of your partner.

Information correct as of 8th September 2020. This information does not constitute financial advice, always do your own research to ensure the marriage allowance is right for your specific circumstances.

Pay Dashboard Limited is registered in England and Wales with registered number 08853884 and registered office located at 4th Floor, 86-90 Paul Street, London, EC2A 4NE.