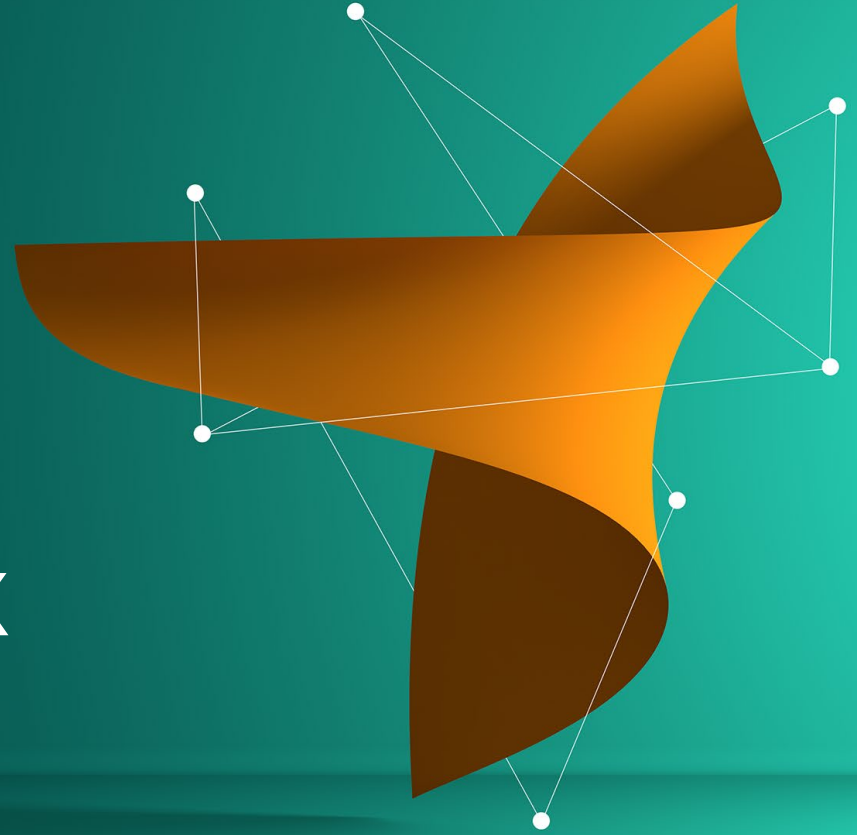


SIPP Payroll Tax Workshop



www.7im.co.uk

This document has been produced by Seven Investment Management LLP from internal and external data. Any reference to specific instruments within this document are part of widely diversified portfolios and do not constitute an investment recommendation. You should be aware that the value of investments may go up and down and you may receive back less than you invested originally. For Professional Advisers only, not to be provided or relied upon by Retail Investors. Not for further distribution. Past performance is not a guide to the future.

Seven Investment Management LLP is authorised and regulated by the Financial Conduct Authority. Member of the London Stock Exchange. Registered office: 1 Angel Court, London EC2R 7HJ. Registered in England and Wales number OC378740.

No of slides: 13

Agenda

HMRC Starter Checklist

Tax Bands and meaning of tax codes

Tax Calculation – Cumulative Basis

Tax Calculation – Emergency Basis (W1/M1)

Annual Pension Payments

K Tax Codes



SIPP Pension Payments – Tax Codes

If the member does not yet have a tax code, they must complete a HMRC Starter checklist.

The link is available on the Platform Help Centre and can also be found online here:

<https://www.gov.uk/government/publications/payee-starter-checklist>

HMRC Starter checklist

8 Choose the statement that applies to you, either A, B or C, and tick the appropriate box.

Statement A	Statement B	Statement C
<p>Do not choose this statement if you're in receipt of a State, Works or Private Pension.</p> <p>Choose this statement if the following applies.</p> <p>This is my first job since 6 April and since the 6 April I've not received payments from any of the following:</p> <ul style="list-style-type: none"> • Jobseeker's Allowance • Employment and Support Allowance • Incapacity Benefit 	<p>Do not choose this statement if you're in receipt of a State, Works or Private Pension.</p> <p>Choose this statement if the following applies.</p> <p>Since 6 April I have had another job but I do not have a P45. And/or since the 6 April I have received payments from any of the following:</p> <ul style="list-style-type: none"> • Jobseeker's Allowance • Employment and Support Allowance • Incapacity Benefit 	<p>Choose this statement if:</p> <ul style="list-style-type: none"> • you have another job and/or • you're in receipt of a State, Works or Private Pension
<p>Statement A applies to me <input type="checkbox"/></p>	<p>Statement B applies to me <input type="checkbox"/></p>	<p>Statement C applies to me <input type="checkbox"/></p>

There are 3 possible scenarios, and the member must select one:

HMRC Starter checklist

If statement A is selected:

We will apply tax code 1257L (giving a personal allowance of £12,570 p.a.)

If statement B is selected:

We will apply tax code 1257L, but on a week1/month1 basis (meaning the member will get only 1/12 of the allowance and 1/12 of each subsequent band)

If statement C is selected:

We will apply tax code BR (the full payment will be taxed at 20%)

IF WE DO NOT RECEIVE A STARTER CHECKLIST, WE HAVE TO USE 1257L ON A W1/M1 BASIS (emergency tax)

TAX BANDS 2024/25 – England/Wales/Northern Ireland

Personal Allowance – tax free. Multiply the tax code number by 10, then add 9 to get the annual tax-free allowance (e.g. 1257L becomes £12,579, 363L would become £3,639)

Next £37,700 – taxed at 20%

Next £74,870 – taxed at 40%

Remainder – taxed at 45%

TAX BANDS 2024/2025 – Scotland

Personal Allowance – tax free. Multiply the tax code number by 10, then add 9 to get the annual tax-free allowance (e.g. 1257L becomes £12,579, 363L would become £3,639)

Next £2,306 – taxed at 19%

Next £11,685 – taxed at 20%

Next £17,101 – taxed at 21%

Next £31,338 – taxed at 42%

Next £50,140 – taxed at 45%

Remainder – taxed at 48%

Scottish clients can be identified by an S at the start of their tax code – e.g. S1257L

Other Tax codes

NT = no tax payable

0T = no personal allowance

BR = basic rate (all taxed at 20%)

D0 = All taxed at higher rate (40%)

D1 = all taxed at additional rate (45%)

1383M = enhanced allowance due to receiving marriage allowance of 10% from partner

1131N = reduced allowance due to giving marriage allowance of 10% to partner

K123 = negative tax code as you owe tax or have benefits in kind

How tax is calculated – Cumulative basis

The member is entitled to 1/12 of their personal allowance for each completed month of the tax year.

They also get 1/12 of each tax band for each completed month.

Example

Member receives a payment of £15,000 on 1/7/2022 (tax month 3). Tax code 1257L

3/12 x £12,579 (£3,144.75) is taxed at 0%

3/12 x £37,700 (£9,425.00) is taxed at 20%

Balance (£2,430.25) is taxed at 40%

Total Tax = £2,857.10

How tax is calculated – Cumulative basis (continued)

Five months later, the member receives a further pension payment of £20,000. As it is now month 8 of the tax year, they are entitled to 8/12 of their personal allowance for each completed month of the tax year.

They also get 8/12 of each tax band for each completed month.

Total pay year to date = £35,000

8/12 x £12,579 (£8,386.00) is taxed at 0%

8/12 x £37,700 (£25,133.33) is taxed at 20%

Balance (£1,480.67) is taxed at 40%

Total tax due YTD	£5,618.94
Less tax already paid	£2,857.10 -
Tax due on this payment	£2,761.84

How tax is calculated – Emergency basis (w1/m1)

The member is entitled to 1/12 of their personal allowance.

They also get 1/12 of each tax band.

Example

Member receives a payment of £15,000 on 1/7/2022. Tax code 1257L w1m1

1/12 x £12,579 (£1,048.25) is taxed at 0%

1/12 x £37,700 (£3,141.66) is taxed at 20%

1/12 x £100,000 (£8,333.33) is taxed at 40%

Balance (£2,476.76) is taxed at 45%

Total Tax = £5,076.20

Annual payments of pension

If a payment is denominated as an annual payment of income, HMRC allows us to give the whole year's worth of personal allowance, etc., irrespective of when paid.

Example

Member receives annual pension of £15,000 on 1/7/2022 (tax month 3). Tax code 1257L

£12,579 is taxed at 0%

Balance of £2,421 is taxed at 20%

Total Tax = £484.20

If a member is taking an annual payment as opposed to a one-off payment of income (especially early in the tax year), the tax is much less and they would not need to request a refund of overpaid tax later in the year.

K Tax Codes

The number is treated in the same way as for normal (i.e. multiply by 10, add 9) except the resulting figure is added to your income before calculating tax, and you don't get a personal allowance.

Example

Income of £30,000 taken 31/3/2022 (tax month 12) – tax code K960

Add £9,609 to £30,000 to get total taxable amount of £39,960

First £37,700 taxed at 20%

Balance (£2,260) taxed at 40%

Proven investment management capabilities

Thank you

This presentation consists of 13 slides. You should be aware that the value of investments may go up or down and you may receive back less than you invested originally. Past performance is not a guide to the future. This presentation is for Professional Advisers only and is not to be provided to or relied upon by Retail Investors. These slides are for information purposes only and are based on current practice at the time of publication. 7IM are not tax advisers therefore clients are advised to seek independent tax advice. Taxation depends on individual circumstances and may be subject to future change.

Seven Investment Management LLP is authorised and regulated by the Financial Conduct Authority. Member of the London Stock Exchange. Registered office: 1 Angel Court, London EC2R 7HJ. Registered in England and Wales number OC378740.

