



**PPI refund ...** Oh! No! I hear you cry..... Not PPI again! But wait, here is how to claim back **the tax deducted from the interest** that was added to your PPI or payday loan award.

If you are one of the many thousands of people who have received a PPI or payday loan refund since 6<sup>th</sup> April 2016 and tax has been taken off the interest that was also paid the good news is that you can probably get some or all of the tax that has been deducted from the interest back from the tax man!

### **Why was this taxed in the first place?**

The refund of the PPI premiums isn't taxable, but if 8% notional interest has been added to your refund, this is treated like interest you have received on savings and it is taxable income and tax will have already been taken at source.

### **If you have a low income or don't pay income tax at all**

However, if you have a total income including the savings interest of less than £18,500 in 2019/20 then the interest paid on your PPI refund from which tax has already been deducted can be reclaimed. **Why £18,500?** It's the 2019/20 personal allowance of £12,500 *plus* the "starting rate of tax on savings" of £5,000 *plus* the £1,000 a basic rate taxpayer is allowed to receive from savings tax-free. These rules apply for earlier years but the threshold is reduced according to the personal allowances available.

### **How do I claim the tax refund?**

The refund can be claimed on-line through your personal tax account or you can complete the form R40 when downloaded from HMRC's website, the form should be printed, completed and sent to HMRC or the paper form can be requested from HMRC by ringing the order line 0300 200 3313. You will need a separate form for each tax year you need to claim a tax refund for, and remember if you had a joint PPI or payday loan claim, both parties will need to complete an R40, detailing 50% of the interest paid each.

The easiest way to correctly complete the R40 is to wait until the tax year has finished, then you can claim back the total tax refund that is due for the year. As the form includes questions on your other income, waiting to the end of the tax year means you will also know how much other income you had during that year from your P60's or P45. However, if you are on a fixed income and know exactly how much taxable income you will receive during 2019/20 an R40 can be completed during the year once you have the total interest and tax deducted figures to put on the form.

### **How do I find the information to put on the R40?**

When looking through the PPI or Payday loan award calculation there will be details regarding the interest credited, a line which says "interest gross" and a line which says "interest net" which has had the 20% of tax deducted. It will also show the amount of tax taken off.

# TAX HELP FOR OLDER PEOPLE

For example:	Gross Interest @ 8%	£3,521
–	Tax taken off @ 20%	£704.20
–	Net interest	£2,816.80

This is an example of the figures you may see on your award. When completing the form R40 you enter these details in boxes 3.1, 3.2 and 3.3. Any untaxed interest you have received from say Banks or Building Societies will go in a different box, 3.4, on the form R40.

You will also need to include on the form details of all your income in the tax year. HMRC needs to have this information in order to correctly calculate the tax refund you are due. If you are sending the form R40 to HMRC you need to send it to HMRC, at “Pay As You Earn, HM Revenue and Customs, BX9 1AS, United Kingdom”.

This claim can be made for earlier years, with a 4 year time limit. For example, a claim for 2015 to 2016 must be received by HMRC by 5 April 2020. Every tax year needs a separate claim form.

If you are on a low income and have any queries regarding your interest, please ring our Helpline on 01308 488066.

This article is by Tax Help for Older People Registered Charity no 1102276 (Scotland no SC045819), offering free tax advice to older people on incomes below £20,000 a year. The Helpline number is 01308 488066.