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How to apply married couple's allowance

Since the introduction of independent taxation in 1990, all individuals have been assessed for tax as separate persons. This reform reversed a principle that had underpinned the tax system for almost two hundred years: that a married woman's income was simply part of her husband's income, and should be taxed as such. As part of this reform a new tax allowance, the married couple's allowance (MCA), was introduced. The MCA could be claimed by all married couples. In April 2000 the MCA was withdrawn from all couples, except those who had already reached the age of 65 or over. This remains the case. As a consequence only those couples in which one partner is at least 87 years old will be entitled to claim the MCA in the coming tax year (2021/22).[1] In September 2013 the then Prime Minister, David Cameron, announced the introduction of a new transferable tax allowance for married couples and civil partners. From April 2015 spouses and partners would be allowed to transfer £1,000 of their own personal tax allowance to their partner, provided neither of them were higher rate taxpayers. In the March 2015 Budget it was confirmed that the personal allowance would be £10,500 for 2015/16, so that the 'marriage allowance', as it is sometimes called, would be set at £1,050. The allowance would be set at 10% of the personal allowance in future years.[2] Initially eligible couples had to register online for the 'marriage allowance',[3] but may now apply by phone, using HMRC's helpline for income tax queries on 0300 200 3300.[4] Couples who register after the beginning of the tax year are still be entitled to the full annual allowance. The general time limit for making a claim for repayment of overpaid tax is four years, so that eligible couples who have not claimed for the tax year 2016/17 will have until 5 April 2020 to do so.[5] In the Autumn 2017 Budget the Government announced that provision would be made to allow claims in cases where a partner has died before the claim was made. Claims may be backdated by up to 4 years.[6] In the 2021 Budget the Chancellor Rishi Sunak confirmed that for the coming tax year, 2021/22, the personal allowance would be £12,570 and the 'marriage allowance' would be £1,260. As recipients use the transferred allowance to offset against their liability to basic rate tax, which is charged at 20%, the allowance may be worth up to £252.[7] This note gives a short history of the withdrawal of the married couple's allowance, and the introduction of the marriage allowance. A second Library paper discusses the development of the new marriage allowance, in the context of wider debates about the way in which the tax system treats married persons.[8] Notes : [1]   For guidance see, HMRC, Married couple's allowance, ret'd March 2021 [2]   HMRC, Transferable tax allowances for married couples and civil partners, 19 March 2014 [3]   HM Treasury press notice, Registration opens for new married couples tax break, 20 February 2015. For guidance see, HMRC, Marriage allowance, ret'd March 20201; and, Low Incomes Tax Reform Group, What tax allowances am I entitled to?, 12 March 2021. [4]   Taxpayers may also make a claim through self assessment if they are already register and send tax returns, or by writing to HMRC (HMRC, Apply for marriage allowance, ret'd March 2021). [5]   The deadline to claim the allowance back to its first year, 2015/16, was 5 April 2020 (see, Low Incomes Tax Reform Group press notice, A year left to claim full marriage allowance refund, 5 April 2019. [6]   This change was announced in the 2017 Autumn Budget (HMRC, Income Tax: Marriage Allowance claims on behalf of deceased partners, 22 November 2017). [7]   HM Treasury, Budget 2021: overview of tax legislation and rates, March 2021 (Annex A: Rates and Allowances). [8]   Tax, marriage & transferable allowances, Commons Briefing Paper CBP 4392, 14 January 2019 Use this section to claim Married Couple's Allowance for the tax year. For eligibility details please refer to HMRC guidance at: To enter a married couple's allowance, Select the Data input tab Select +Add a new section button A new window opens, scroll to the bottom to the allowances section and click on Married couple's allowance   A new window opens which needs to be completed Who is claiming MCA? 'Is the client the husband (or higher earner if married after 5 December 2005)?' Tick the box if the taxpayer is the higher earner (or the husband). Marriage details 'Name of spouse' Enter the name of the spouse or civil partner. Spouse date of birth' Enter the spouse or civil partner's date of birth. 'Date of marriage (if during tax year)' Enter the date of marriage if it was during the tax year. If client lived with a previous spouse during the year 'Date of birth of previous spouse' This is only required where the taxpayer was living with a previous spouse or civil partner in the year that is being filed, enter the date of birth of the previous spouse or previous partner. Prior arrangements to share allowance 'Transfer HALF of allowance to lower income spouse?' Tick the box if the taxpayer has previously elected to transfer half of the allowance to their spouse or civil partner. 'Transfer ALL of allowance to lower income spouse?' Tick the box if the taxpayer has previously elected to transfer all of the allowance to their spouse or civil partner. Transfer of surplus allowance 'Transfer surplus allowances to spouse?' Tick this box to transfer any surplus allowance to the spouse or civil partner. 'Or the amount of surplus allowance to claim from spouse' Enter the amount of surplus allowance to claim from the spouse or civil partner. Under the separate assessment option, the tax affairs of spouses or civil partners are independent of each other. The difference between separate assessment and assessment as a single person is that some tax credits are divided equally between you under the separate assessment option. These tax credits are:The balance of the tax credits is given to each of you in proportion to the cost borne by you. The Employee Tax Credit (formerly known as the PAYE tax credit) and expenses (if any), are allocated to the appropriate spouse/civil partner. Any tax credits other than the Employee Tax Credit and employment expenses that are unused by one partner can be claimed by the other spouse/civil partner. The tax credits are not usually adjusted until after the end of the tax year.Any tax credits that are unused (other than the Employee Tax Credit and employment expenses) and the standard rate cut-off point up to €44,300 in 2021 can be transferred to the other spouse/civil partner but only at the end of the tax year. The increase in the standard rate tax band of up to €26,300 in 2021 is not transferable between partners. If you think you have unused tax credits or standard rate cut-off point, contact your tax office for a review after the end of the tax year. Overall, the amount of the tax that is payable under this option (separate assessment) is the same that is payable under the joint assessment option discussed below. The claim for separate assessment must be made between 1 October of the preceding year and the 31 March in the year of the claim. Either spouse or civil partner can request this form of assessment, although the other spouse or civil partner will have to confirm this request. Separate assessment will then continue until you request to change it. These requests can be managed in your myAccount or in writing to Revenue. Each spouse or civil partner can complete a separate return of their own income. The joint assessment (or "aggregation") option is usually the most favourable basis of assessment for a married couple or civil partners. This option is automatically given by the tax office when you advise them of your marriage or civil partnership, but this does not prevent you from choosing any of the options examined earlier. Under this option, the tax credits and standard rate cut-off point can be allocated between spouses to suit their own circumstances. If only one spouse or civil partner has taxable income, all tax credits and the standard rate cut-off point will be given to the spouse or civil partner with the income. If both of you have taxable income, you can decide which of you is to be the assessable spouse or nominated civil partner. You then ask the tax office to allocate the tax credits and standard rate cut-off point between you in whatever way you want. (The Employee Tax Credit, employment expenses and the increase in standard rate cut-off point of €26,300 in 2021 are not transferable). If your tax office does not get a request from you to allocate your tax credits in any particular way, the tax office will normally give all the tax credits (other than the other partner's Employee and expense tax credits) to the spouse or civil partner being assessed. The spouse or civil partner being assessed must complete the return of income for the couple and is charged for tax on the joint income of the couple. If one spouse or civil partner is self-employed, joint assessment can still apply. The flexibility this option brings can be very convenient - especially if one of you pays tax under the PAYE system and the other pays tax under the self-assessment system. Under joint assessment, you let your circumstances determine if most of the tax should be paid under PAYE or in a lump sum on assessment. This is determined by the way in which the tax credits are allocated. If you choose to pay most of your tax under PAYE, the tax credits (apart from the Employee Tax Credit and employment expenses), should be offset against the self-assessment income. The choice about who becomes the assessable spouse or nominated civil partner is made by both of you. All you need to do is to inform Revenue which of you is to be the assessable spouse or nominated civil partner. If you have not made your nomination, the spouse or civil partner with the higher income in the latest year for which details of both spouses' incomes are known becomes the assessable spouse or nominated civil partner. This person continues to be the assessable spouse or nominated civil partner until both of you jointly elect that the other spouse or civil partner is to be the assessable spouse or nominated civil partner or until either of you opts for either separate assessment or assessment as a single person. Repayments that arise from an end of year review will in general be apportioned and repaid on the basis of the tax paid by each spouse/civil partner. If both of you are in employment, then a Tax Credit Certificate is issued to each of you. All of the tax credits and reliefs due to a married couple or civil partners where joint assessment applies are shown on the assessable spouse/nominated civil partner's notice - the amount "allocated to other employments" is also shown. This amount ("allocated to other employments") represents the tax credits that are allocated to the other spouse/civil partner and may also include tax credits that are allocated to a subsidiary employment or pension of either spouse or civil partner. The standard rate cut-off point for married couples/civil partners is €44,300 in 2021. This amount is taxed at 20% and the balance is taxed at 40%. Where both spouses/civil partners have income, this standard rate cut-off point can be increased by the lower of the following: €26,300 in 2021 or The amount of the income of the spouse/civil partner with the smaller income. The increase in the standard rate cut-off point interacts with the Home Carer's Tax Credit. If the increased standard rate cut-off point is more beneficial than the Home Carer's Tax Credit, you can claim the increase instead. As a matter of course, the tax office will grant you whichever is more beneficial to you. More information is available on revenue.ie about the Home Carer's Tax Credit. Joint assessment: to nominate or change the assessable spouse for 2021, you must contact Revenue by 31 March 2021 - see 'Where to apply' below. You can also fill in an Assessable Spouse Election Form (pdf) and send it to Revenue by 31 March 2021. Separate assessment: to be assessed separately from your spouse in 2021, you must contact Revenue between 1 October 2020 and 31 March 2021- see 'Where to apply' below. If you haven't applied for a joint or separate assessment by the dates set by Revenue, you will have to wait until the following year to apply. Further information about the taxation of married people and civil partners, with examples showing how income is taxed, is available on Revenue's website. Salaries Tax A. Location of Employment B. General guidelines on how to compute Salaries Tax C. Income chargeable to Salaries Tax D. Deductions relating to income chargeable to Salaries Tax E. Allowances relating to Salaries Tax F. Penalties for Salaries Tax avoidance G. Objection and Appeal H. Preliminary Calculation and Filing of Tax Returns via the Internet Profits Tax A. General guidelines on how to compute Profits Tax B. Deductions relating to taxable profits C. Allowances relating to Profits Tax D. Scenarios on partnership business E. Objection and Appeal F. Anti-Avoidance measures concerning Profits Tax payment Property Tax Personal Assessment (may provide more tax relief in some cases) Taxation Arrangement between China and Hong Kong (to avoid double taxation) Stamp Duty Estate Duty Objection and Appeal against Tax Assessment Advance Rulings (to obtain early decisions on uncertain tax matters) We use some essential cookies to make this website work. We'd like to set additional cookies to understand how you use GOV.UK, remember your settings and improve government services. We also use cookies set by other sites to help us deliver content from their services. If you or your partner has an income of less than £12,570, you may be able to benefit from the marriage allowance. This is a Government scheme that allows you to transfer some of your personal tax allowance to your husband, wife or civil partner. You can transfer up to 10% of your tax-free allowance if they earn more than you do. This could reduce their tax bill by up to £251.40 a year. You can also backdate any claim to include tax years from 5 April 2016 onwards. Even if your husband, wife or civil partner has died since that date, you may still be able to claim - call the Income Tax helpline to find out more. You're only eligible for this allowance if all of the following apply: you're married or in a civil partnership one of you doesn't pay income tax the other person in the relationship pays income tax at the basic 20% rate This usually means one of you has an income of less than the personal tax allowance (£12,570 for most people in the 2021/22 tax year) and the other has an income between £12,571 and £50,270 (£12,571 and £43,662 for Scottish tax payers). Your income includes your earnings and other income such as: employment benefits, such as a company car pension income any savings interest or dividends If any of these apply, you should have received a tax code letter about it. Find out more about what your tax code means on the GOV.UK website. Here's an example of how the marriage allowance can help. Tom works part-time as a caretaker at a local school and earns £10,000 a year. This is below the standard personal allowance of £12,570, so he doesn't pay any income tax. His wife Susie has a full-time job as a graphic designer on an annual salary of £25,000. That's more than the £12,570 personal allowance, but lower than the £50,270 threshold for the 40% higher rate. So she pays income tax at the basic rate of 20%. Tom can transfer 10% of his 'unused' tax-free allowance (£1,257) to Susie, so her personal allowance goes up to £13,827. As a result, an extra £1,257 of what she earns is now tax-free, which means she pays £251.40 less in tax. This allowance is only for those who are married or in a civil partnership - living together as a couple doesn't count. The marriage tax allowance is for couples who were both born on or after 5 April 1935. If either (or both) of you were born before that date, you may be able to claim the married couple's allowance instead. You can't claim both the marriage allowance and the married couple's allowance at the same time. You can apply online for the marriage allowance on the GOV.UK website. Before applying, you can use this calculator to work out how much tax you could save.