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How to claim a tax refund - Do I need a form?

In last month's Tax Tips we wrote about how to check your end of tax year figures and whether or not you had paid the right amount of tax and if not, how HMRC would issue at some point tax refunds or tax bills.

However, there are refunds that you can claim during the tax year, which are called "in year repayments". This means you do not have to wait until the tax year is over. To claim, you would have to fill in the appropriate form. This is usually for reclaiming tax deducted from lump sum pension payments or the interest paid with PPI payments.

Pension lump Sums

Many people choose to take their pensions as "lump sums". Since 2015, these pensions can be paid out under the "flexibility rules" or could be paid out under the "Trivial Commutation" or "Small Pot" rules.

All pension lump sums usually have a 25% tax free element, and the remaining 75% is classed as taxable income.

The pension provider would operate an emergency tax code and for the vast majority of the time, this will deduct more tax than you would be liable to pay.

The tax that is actually due is dependent on any other income taxable income within the tax year. Therefore, only a calculation of all your taxable income for the tax year will give you the final liability and whether or not a refund is due. If a tax refund is due, and you don't want to wait until the tax year is over then you would need to complete a **form called a P53z – Flexibility accessed pension lump sum repayment claim form**. This form asks you to complete the information on all your expected sources of taxable income so that HMRC can calculate the refund due. The easiest way to get the form would be to access it from HMRC's website www.gov.uk.

A lot of people now decide to take their pensions as withdrawals, choosing to take money out as and when they want to. If just one lump sum payment is taken in the tax year which still leaves some money in the pension pot and if the same circumstances as above apply then the form to complete to reclaim the tax paid is called a **P55 - Flexibility accessed pension lump sum repayment claim form**. This can also be accessed from HMRC's website.

If the pension lump sum is taken under the Trivial Commutation rules or small pot rules these pensions will have tax deducted at the 20% basic rate of tax. If you are already a basic rate taxpayer on your other taxable income, such as other pensions, employment, self-employment, foreign or rental income, then the deduction of 20% at source may then in fact be correct and no refund would be due. However, if you do not have any other income or your other income falls below the tax free personal allowance, which for the new 21/22 tax year is £12,570, you would be able to claim back some or all of the tax using a **form called a P53 – Claiming back tax on a lump sum**. This form can also be found on HMRC's website and is available to download.



Have you had PPI payments?

If so, then part of your settlement would include interest which would be taxed at source at 20%. Once again, this is something you may be able to claim back before the tax year is over. Primarily this is covered by the Personal Savings Allowance (PSA) of £1000 for basic rate taxpayers and £500 for higher rate taxpayers. However, there are also other allowances that may apply such as available Personal Tax Allowance, or the 0% savings rate for those on lower incomes. The calculations of the interest would also include interest from other sources such as savings accounts, building society accounts, NS&I bonds etc, but not including ISA's. The form to claim this type of refund would be an **R40 – Claim for repayment of tax deducted from savings and investments.**

Tax Help offers guidance over the phone with the completion of these forms, so if you are on a low income and need some help, then you can contact Tax Help for Older People 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 a low income who cannot afford professional help.