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BRIEFING PAPER

Number 00870, 4 May 2018

Income tax allowances for married couples

By Antony Seely

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Summary

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 the then Conservative Government introduced a new tax allowance – the married couple's allowance (MCA) – which 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 In April 2000 the MCA was withdrawn from all couples, except those who had *already* reached the age of 65 or over.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 84 years old in this tax year (2018/19) is entitled to claim the MCA.[1] In 2005 the then Labour Government confirmed that civil partners would be treated the same as married couples for tax purposes, so that, with the introduction of this legal status, civil partners have been entitled to claim the MCA, provided – as with married couples – one partner was born before 6 April 1935.

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 were required to register online for the 'marriage allowance',[3] but taxpayers can now do so by calling HM Revenue & Customs' income tax helpline 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 2015/16 will have until 5 April 2020 to do so.[5]

In the Autumn Budget on 22 November, the Chancellor Philip Hammond, announced that the personal allowance would be £11,850 from April 2018, and the 'marriage allowance' would be £1,190 for 2018/19. As recipients use the transferred allowance to offset against their liability to basic rate tax, which is charged at 20%, the allowance will be worth up to £238. The Government has also announced that claims for the allowance will be allowed in cases where a partner has died before the claim was made, and that these claims will be able to be backdated by up to 4 years.[6]

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.[7]

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1. Details for those who wish to claim the allowance are on HM Revenue & Custom's site.
2. HM Revenue & Customs, *Transferable tax allowances for married couples and civil partners: tax information & impact note*, 19 March 2014
3. HM Treasury press notice, *Registration opens for new married couples tax break*, 20 February 2015. Details are on HMRC's site at, https://www.gov.uk/marriage-allowance
4. PQ14045, 3 November 2015. The line is open 8am to 8pm, Monday to Friday, and, 8am to 4pm Saturday.
5. PQ4733, 6 July 2015; PQ28276, 3 March 2016
6. *Autumn Budget 2017,* HC 587, November 2017 para 3.5-6; Annex A (Rates and allowances) in HM Treasury, *Overview of tax legislation and rates*, 22 November 2017
7. *Tax, marriage & transferable allowances,* Commons Briefing Paper 4392, 15 May 2014

1. The married couple's allowance

1.1 Introduction

All individuals receive a personal allowance which they can set against income tax. For 2018/19 this allowance is £11,850.[8]

Prior to 2013/14, individuals over the age of 65 could claim an addition to the personal allowance, while those aged 75 or over could claim a second addition. In the 2012 Budget the Coalition Government announced that from April 2013 these allowances would be frozen – at £10,500 and £10,660 respectively – until they became aligned with the personal allowance. Only *existing* recipients would be entitled to claim either allowance. Both allowances have now been overtaken by the personal allowance and have been withdrawn.[9]

In the past married couples have been entitled to claim an additional allowance, the MCA, which could either be split between them, or given in full to either spouse. Since 2000/01 the allowance has only been given to couples who reached the age of 65 by the start of that tax year (ie, those couples where at least one partner was born before 6 April 1935).[10] For 2018/19, this allowance is £8,695. Tax relief for this allowance is 'restricted' to 10%. In effect taxpayers receive a credit worth 10% of the MCA to set against their final tax bill: ie, £870.

The value of the MCA is gradually reduced for taxpayers earning above the income limit, in the same way the age-related additions to the personal allowance have been – subject to a minimum allowance. For 2018/19 this minimum allowance is set at £3,360, restricted to 10%. No couple entitled to the allowance will receive less than this.[11]

Where a couple marry during the tax year the allowance is reduced by one twelfth for each complete tax month pre-marriage. In the first instance the MCA is given to the husband, though if couples elect, the minimum MCA can be transferred to the wife or split equally between spouses. In previous years, in line with the personal allowance, an age-related MCA was given to couples between 65 and 74, and a second, higher MCA to those 75 or over. Given that anyone born before 6 April 1935 will be 84 or more in 2018/19, it is only the second of these allowances that remains applicable.

On 5 December 2005 the *Civil Partnership Act 2004* created a new legal status for same-sex couples. In March 2005 the Government announced that civil partners would be treated the same as married couples for tax purposes. As a consequence, civil partners may claim the MCA, provided – as with married couples – one partner was born before 6 April 1935.

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8 The allowance is tapered for individuals with an income over £100,000. It is reduced by £1 for every £2 someone's income exceeds this limit, until completely withdrawn.

9 For more details see, *Age-related personal allowance*, Commons Briefing Paper CBP6158, 11 May 2016

10 When a person born on or before 5 April 1935 newly gets married, that person or their spouse is entitled to claim the MCA.

11 The income limit is set at £28,900 for 2018/19.

1.2 The proposal to abolish the MCA

Personal allowances are worth more to higher rate taxpayers, since they represent a fixed sum which is exempted from tax at an individual's highest marginal tax rate. In his March 1993 Budget, the then Chancellor Norman Lamont argued that this was contrary to the purpose of the MCA: "there is no good reason why an allowance intended to recognise the responsibilities of marriage should give least to those on low incomes and most to those right at the top of the income scale."[12] He proposed that the MCA be 'restricted' to 20% from April 1994. In the November 1993 Budget the then Chancellor, Kenneth Clarke, confirmed this change, and went on to announce that the MCA would be further restricted to 15% from April 1995. Provision to restrict the MCA was contained in the Finance Bill that year, and agreed without amendment. During the Committee debate there was general support for the principle that the MCA should be worth the same amount to all taxpayers.[13] The MCA was restricted to 15% over the four tax years 1995/96 to 1998/99; and to 10% thereafter.

In his 1999 Budget speech the then Chancellor Gordon Brown announced that the 'basic' married couple's allowance – given to couples under 65 – would be withdrawn from 6 April 2000.[14] Couples in which at least one of the spouses was aged 65 or more on or before 5 April 2000 would be able to keep the MCA when it was abolished for younger couples. However, from this date, people would not be able to make new claims for the MCA when they or their spouse reached 65.[15]

Mr Brown also announced that the additional personal allowance would be withdrawn with the MCA in April 2000. The allowance was set equal to the MCA and given to lone parents – whether single, divorced, or widowed – caring for one or more children under 16 (or over 16 and in full-time education or in an apprenticeship of at least two years' duration).[16]

In his 2000 Budget speech the Chancellor confirmed that the basic MCA would be withdrawn and that the two age-related allowances for couples would be increased in line with inflation. He also announced that a new children's tax credit (CTC) would be introduced from April 2001, given to families who have one or more children under 16 living with them.[17] The credit would take the form of an allowance – set at £5,200 for 2001/02 – for which relief would be given at 10%: in effect those families eligible to claim the CTC would be able to cut their annual income tax bill by up to £520. In April 2002 the credit was increased in line with inflation – to £590 for 2002/03 – and an

12 HC Deb 16 March 1993 c182
13 SC Deb (A) 22 February 1994 c344, c348
14 HC Deb 9 March 1999 cc 182-183
15 For 1999/2000 the basic MCA was £1,970 restricted to 10 per cent.
16 Married parents in this situation whose partner was incapacitated were also entitled to claim this allowance.
17 HC Deb 21 March 2000 c871

additional 'baby' rate was paid for the first year of a child's life – equivalent to a further credit of £10 a week.[18]

The Government's purpose in introducing the new credit was, as the Chancellor stated in his March 1999 Budget speech, to "substantially increase support for families with children", and to do so, "in the fairest way" – two principles governing its approach to the taxation of families.[19] As a consequence eligibility for the CTC was based on whether someone was caring for a child – rather than their marital status – and the value of the credit was tapered for higher rate taxpayers (by £1 for every £15 of income above the higher rate threshold, until entitlement to the credit was exhausted).

To ensure that the taper operated in the way intended, if one partner in a couple was a higher rate taxpayer, they were obliged to claim the CTC for their household, and could not transfer it to their lower earning partner. In contrast to the CTC, the MCA was worth the same cash amount to all taxpayers, irrespective of their income. As the Chancellor went on to say in his Budget speech, "it is in fulfilment of [these] two principles that the children's tax credit will be tapered away for the higher-earning family where there is a top-rate taxpayer."[20]

At the time there was some criticism that the CTC was not tapered with reference to family income, potentially penalising single-earner couples on the same income as dual-earner couples. Following consultation, Mr Brown announced in his 2002 Budget that a 'child tax credit' would be introduced from April 2003, to replace the support provided by the CTC and the child elements of four other benefits/credits: income support, jobseeker's allowance (income-based), working families' tax credit (WFTC) and disabled person's tax credit (DPTC).[21] Awards for the new credit would be based on the income of the family, and to be paid to the main carer. A second new credit – the 'working tax credit' – was introduced in April 2003 as well, merging in-work support provided through the WFTC and DPTC.[22]

The then Paymaster General, Dawn Primarolo, set out the Labour Government's reasons for abolishing the MCA and additional personal allowance in a written answer in March 2001:

> **Mr. Sarwar:** To ask the Chancellor of the Exchequer if he will make a statement on the married couples allowance.
>
> **Dawn Primarolo:** The married couples allowance and related allowances did not effectively support either children or marriage. They were available to all married couples, whether or not they had children, and were also available to single parents and to unmarried parents living together. The overlap between these allowances meant that twice the usual amount of relief could be available in the year a married couple separated.

18 The 'baby credit' was announced in the 2001 Budget (HC Deb 7 March 2001 c305).
19 HC Deb 9 March 1999 c183
20 HC Deb 9 March 1999 c183
21 HC Deb 17 April 2002 c587. For the background on this issue see *Tax Credits Bill, CBP 01/110 5 December 2001*.
22 Guidance on tax credits is published on Gov.uk.

> We are therefore replacing the married couples allowance with the Children's Tax Credit, which will give more help to families at the time they need it most: when they have children. Following this year's Budget, it will be worth up to £520 a year from April (over two and a half times the former married couple's allowance). In April 2002, to help families with a new baby, there will be a higher rate of Children's Tax Credit in the year of their child's birth worth up to £1,040 a year, over five times the value of the former married couple's allowance.[23]

1.3 Concerns about abolition: a 'gap year'

When these changes were first announced there was some criticism of there being a 'gap' year between the abolition of the MCA and those allowances linked to it,[24] and the introduction of the CTC in April 2001. At the time the Labour Government argued that this measure should not be seen in isolation, but of a piece with other measures to redirect resources to families: principally, a substantial two-stage increase in child benefit for the eldest child in April 1999 and April 2000;[25] and, an increase in the level of in-work benefits paid to low income families with children, through the replacement of family credit by working families tax credit (WFTC) from October 1999. WFTC was more generous than family credit for a number of reasons: the level of earnings at which the credit was withdrawn was higher, the rate at which it was withdrawn as earnings rose was not so steep, and the individual credits paid were higher.

It was estimated that by April 2001 about 1.4 million working families would be receiving WFTC, around 500,000 more families than would have received family credit.[26] The cost of the new credit was projected to be "around £5 billion per year which represents approaching £1½ billion more resources than family credit" although the exact figure would depend on take-up.[27] Given this, Ministers argued that the abolition of the MCA did not create a 'gap' as such, since resources were not being taken away from families without replacement.[28]

Legislation to abolish the MCA was made in section 31 of the *Finance Act 1999*. When this provision was debated, the then Paymaster General, Dawn Primarolo, set out the Government's case as follows:

> My right hon. Friend the Chancellor made it clear in his Budget speech that family life is the foundation of our society. Our first principle is support for the family, and the interests of children must be paramount. Many points made in both debates this

23 HC Deb 14 March 2001 c654W

24 Two other personal allowances are also tied to the basic MCA: the widow's bereavement allowance, and relief for maintenance payments to a divorced or separated spouse. Both were withdrawn from April 2000.

25 Child benefit for the eldest child rose from £11.45 to £14.40 from April 1999, and to £15.00 from April 2000. Benefit for the second and subsequent children was increased from £9.30 to £9.60 from April 1999, and to £10 from April 2000.

26 HM Treasury, *Budget 99: building a stronger economic future for Britain*, HC 298 March 1999 p58

27 HM Treasury, *Budget 98: new ambitions for Britain*, HC 620 March 1998 p47

28 The Paymaster General made this point when the abolition of the MCA and related allowances were scrutinised at the Committee stage of the Finance Bill in May 1999: SC Deb (B) 18 May 1999 c279. See also the debate at the Report stage of the Finance Bill in July 2000 (HC Deb 18 July 2000 cc 280-297).

> evening have been about the married couple's allowance. It was originally provided for married men, from 1918, in recognition of the fact that their wives were not in paid employment after marriage. That lasted until just before the Second World War when the Government of the day advanced tax policy to encourage married women to stay in the labour market or return to it.
>
> After years of amendment and change, the present Government inherited a married couples allowance that is, in fact, restricted neither to marriage nor to couples. Nor, indeed, is it strictly an allowance, as it is a tax credit paid at the same flat rate to married couples, single parents and unmarried parents who live together.
>
> Far from recognising marriage … the allowance is so confused that it can even be paid twice--at the full rate to both partners in the year of separation or divorce. A married couple's allowance that can pay more for separation or divorce surely cannot be said to uphold the institution of marriage.[29]

1.4 Concerns about abolition: married couples over 65

One issue the Minister did not specifically address was the position of those married couples who turned 65 relatively soon after April 2000. For 2000/01 the MCA for couples aged between 65 and 74 was equivalent to a tax credit worth just over £518. In effect, this is what couples who turned 65 after 6 April 2000 lost – provided they were in a position to make full use of the credit.[30] That said, there were a number of other changes announced by the Chancellor in his 1999 Budget that were likely to mitigate the impact of this change: namely, the introduction of the 10p starting rate of income tax from April 1999, and the cut in the basic rate of tax from 23% to 22% from April 2000.

Moreover, as mentioned above, the Government's rationale in abolishing the MCA was that these resources should be channelled to families with children - rather than to couples; in other words, when someone decides whether they should be married or not, the State should have no part in affecting their decision by providing a financial incentive which rests on their decision. Scrapping the MCA for all married couples would have hit poorer pensioners quite hard, who may well have relied on receiving this allowance - so it is arguable that a fairer way of withdrawing the allowance was to preserve it for those who were already receiving it.

Keeping the MCA for those who reach 65 in future years might be thought unfair - especially to those who reach 65 unmarried. For these taxpayers, it might seem perverse to provide additional help for married pensioners, when the original purpose of the married man's allowance (the forerunner of the MCA, introduced in 1918), was to acknowledge the costs in marriage: ie, that it was the norm at that time for a woman to give up work when she married to look after the children she and her husband looked forward to having.

29 HC Deb 28 April 1999 cc 395-396
30 This point was made forcefully by the then Leader of the Opposition, William Hague, during Prime Minister's Questions on 10 November 1999 (HC Deb c1126).

A final point to make is that individuals who reached 65 after this cut-off point became entitled to the age-related personal allowance, which was increased substantially in real terms, first when the abolition of the MCA was announced – for 1999/2000 – and then, four years later, in 2003/04.[31] As noted above, although these allowances were generally increased in line with inflation in later years, since April 2013 each was frozen in cash terms, resulting in their being phased out completely by 2016/17.

[31] In 1999/2000, the two allowances went up by £130 and £200 in real terms, respectively. In 2003/04 the allowances went up by £400 and £240 in real terms. For more details see, HMRC, *Income tax personal allowances and reliefs 1990/91 to 2017/18*, July 2017.

2. The transferable tax allowance

2.1 Introduction of the allowance

In July 2007 the Conservative think tank, the Centre for Social Justice, published a report on social breakdown, recommending "the transferring of tax allowances between married couples … to support the institution of marriage because of its proven advantages to children and the wider society."[32] In the next months the Conservative Party gave a general commitment to 'recognising' marriage in the tax system,[33] and in the 2010 General Election it proposed that couples and civil partners who were basic rate taxpayers should be entitled to transfer just part of their allowance – worth, in effect, up to £150.[34]

Initially the new Coalition Government did not make any specific proposals for transferable allowances, and the issue was not mentioned in its first Budget on 22 June 2010.[35] On a number of occasions over the next three years, Ministers underlined that the Government was committed to bringing forward proposals to recognise marriage through the tax and benefits system,[36] but it was not until September 2013 that the Prime Minister announced that from April 2015 spouses and civil partners would be allowed to transfer £1,000 of their own allowance to their partner – provided neither of them were higher rate taxpayers.[37]

In his 2014 Budget speech the then Chancellor, George Osborne, announced that the personal allowance would be set at £10,500 from April 2015, and that the transferable allowance would be increased in line with this:

> When we came to office, the personal tax allowance was just £6,500. In less than three weeks' time, it will reach £10,000 … Next year, there will be no income tax at all on the first £10,500 of your salary—£10,500 tax free and £800 less in tax every year for the typical taxpayer. Our increases in the personal allowance will have lifted over 3 million of the lowest paid out of income tax altogether, and I am incredibly proud of what we have achieved … I am linking the rate of the transferable tax allowance for married couples to the personal allowance, so it will also rise to £1,050—help for 4 million families that they will take away and that we are proud to provide.[38]

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32 Social Justice Policy Group, *Breakthrough Britain: Volume 1 – Family Breakdown*, July 2007 pp70-1

33 Conservative Party, *Repair : plan for social reform*, 2008 p41

34 Institute for Fiscal Studies press release, *Conservatives to recognise one third of marriages in the tax system*, 9 April 2010

35 The agreement underpinning the Coalition simply stated that Liberal Democrat MPs would be allowed to abstain from voting for transferable allowances (HM Government, *The Coalition: our programme for government*, 20 May 2010 p30).

36 For example, HC Deb 11 December 2012 cc137-8; HC Deb 18 March 2013 c423W; HC Deb 2 July 2013 c881

37 HM Treasury press notice, *Marriage Transferable Tax Allowance announced*, 30 September 2013. In his Autumn Statement in December 2013, the then Chancellor, George Osborne, confirmed that the allowance would be introduced from April 2015 (HC Deb 5 December 2013 c1111).

38 HC Deb 19 March 2014 c792

Details of how the new transferable allowance would work were given in a note published alongside the Budget:

> Legislation will be introduced in Finance Bill 2014 to provide that from the 2015-16 tax year, a spouse or civil partner who is not liable to income tax because their income is below their personal allowance or who is liable to income tax at the basic rate, dividend ordinary rate or the starting rate for savings will be able to elect to transfer £1,050 of their personal allowance to their spouse or civil partner. There will be a corresponding reduction to the transferring spouse's personal allowance.
>
> A spouse or civil partner who is liable to income tax at the basic rate, dividend ordinary rate or the starting rate for savings will receive the transferred personal allowance. The transferred allowance will be given effect as a reduction to the recipient's income tax liability at the basic rate of tax.
>
> From 2016-17 the transferable amount will be 10 per cent of the basic personal allowance. Further provisions will account for changes to individuals' marital or civil partnership status such as divorce, dissolution and death. Married couples or civil partnerships entitled to claim the married couple's allowance will not be entitled to make a transfer …
>
> HMRC is developing the process by which the married couple or civil partners will transfer their personal allowance … The lead option is that one party will apply on-line to transfer the allowance to their spouse or civil partner and HMRC will notify the recipient about the subsequent change to their tax code.

This note also gave details of the cohort of taxpayers who would benefit from this measure:

> 4.2 million non-taxpayer/basic-rate taxpayer married couples stand to gain an average £197 between them; most non-taxpayers will be no worse off while the basic rate taxpayer will gain. Of the 4.2 million potential gaining couples, around 310,000 individuals may lose by an average of £104 in 2015-16, where their reduced allowance brings them into tax. However in these cases they will gain as a couple. Couples where both partners are basic-rate taxpayers will in almost all cases see no gain or loss … Couples will benefit as a unit, but the majority (84 per cent) of individual gainers will be male. This reflects earning patterns in the population more generally. 35 per cent of couples who stand to gain will be above state pension age.[39]

2.2 Applying for the allowance

On 20 February 2015 HM Treasury announced that eligible couples would be entitled to register for the new allowance, using a new online service:

> The Government has today opened registration for the new Marriage Allowance, a tax break for married couples, helping them save up to £212 a year. Applying online is straightforward. Couples can register their interest to receive the Allowance now at: gov.uk/marriageallowance.

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39 *Transferable tax allowances for married couples and civil partners*, 19 March 2014. Provision for the new allowance was made by s11 of *FA2014*. It is consolidated in ss55A-E of the *Income Tax Act 2007*.

> From 6 April 2015, more than 4 million married couples and 15,000 civil partnerships will be eligible for the tax break …
>
> From April, HMRC will contact those who have already registered for the Marriage Allowance to apply. People can register at any point in the tax year and still receive the full benefit of the allowance. Applying online is simple. One person in a couple will apply online to transfer the allowance to their spouse or civil partner, and HMRC will tell the recipient about the change to their Pay As You Earn (PAYE) tax code.

When this was announced, the charity TaxAid noted, "although there is currently a lot of publicity for the allowance, the full system is not yet up and running, and is unlikely to be ready before the summer of 2015. Those who register their interest now, will be invited to make an on-line claim in April, after the start of the new tax year. A service for those unable to claim on-line is due to be rolled out later."[40] The Low Incomes Tax Reform Group (LITRG) which also offers tax advice for those on lower incomes, also pointed out that couples could **only** register for the allowance online:

> There is no way to register your interest in the marriage allowance without using the internet. Similarly, you will only be able to apply for the marriage allowance online. On current plans you will not be able to apply by phone or post. In addition, before being able to make the application, you will probably have to use the Government's new 'Verify' system, which is also an online system, so that you can prove who you are. You will have to do this by answering some questions that only you know the answer to. You will also be asked to enter a code you receive on your mobile phone, by email, or through a call to your landline.
>
> By the Government's own admission, 18% of adults in the UK cannot use the internet, so the lack of options here is quite surprising. We will continue to encourage Government to introduce a postal or telephone application service to ensure that everybody who is eligible to receive the marriage allowance can actually do so. However, in the meantime they have confirmed that they will 'provide support to customers who need it' and we assume this will be in the form of 'assisted digital' support. This means that you will be able to access a service face-to-face, by phone, or in another appropriate non-digital way, with someone either inputting your data into the digital system on your behalf, or helping you put your data into the digital service yourself.[41]

In June 2015 the charity issued some updated guidance, which noted that some taxpayers were having difficulties using the online service, because of the process it used to confirm the applicants' identities:

> At present an individual can only claim to transfer the marriage allowance to their partner by registering online through *Gov.uk*. The individual will then be asked to use Gov.uk's *Verify* procedure to confirm their identity. There are certain circumstances in which an individual will not be able to use Verify, for example the individual must have a UK passport or driving licence. If the individual is unable to confirm their identity using Verify they will be advised to call HMRC's PAYE helpline on *0300 200 3300*. The individual who telephones HMRC must be the partner who is

40 TaxAid press notice, *Marriage Allowance – transferring part of your tax free entitlement*, 20 February 2015
41 LITRG press notice, *New tax relief for marriage available online*, 27 February 2015

> transferring part of their allowance and they will need to have details of both their own and their partner's National Insurance number, date of birth and address.
>
> From a future date it will be possible to claim the allowance without first registering with GOV.UK and we will provide an update at that time.[42]

The application process was also discussed in a piece which appeared in the technical journal, *Taxation*; the author made the point that any delays in the issuance of new tax codes could easily be rectified later in the year – so that this tax relief would be backdated for any months already passed.[43]

In November 2015 the Government confirmed that couples could now make applications by telephone, using HMRC's helpline for income tax enquiries.[44] The number is, 0300 200 3300, and is open 8am to 10pm, Monday to Saturday; and, 9am to 10pm Sunday. HMRC advise that phone lines are less busy before 10am, Monday to Friday, and on Sundays.[45] HMRC also provide an online calculator to allow couples to make sure that claiming the allowance would be financially beneficial.

At this time the LITRG underlined that for potential applicants, "it is important to note that the person who needs to make the transfer either online or by telephone is the person who is giving up part of their allowance." When calling, applications should make sure that have certain personal details to hand:

> If you are making the transfer you will need certain information to hand:
>
> - your own and your partner's National Insurance numbers (that you should find on any documents from HMRC or on any payslips issued by your employer or pension provider); and
> - a way to prove your identity that could be: the last 4 digits of the account that your child benefit, tax credits or pension is paid into; the last 4 digits of an account that pays you interest; details from your P60.[46]

Further guidance is published on the LITRG site; this underlines that there will be some circumstances where couples may be worse off by taking up the allowance – an extract is reproduced below:

> **Marriage allowance or transferable tax allowance**
>
> This allowance is also known as the transferable tax allowance for married couples and civil partners. You can transfer some of your personal allowance to your spouse or civil partner, if you both meet certain conditions. Note that this is not an extra allowance – it is part of the personal allowance.
>
> The marriage allowance is available to all spouses and civil partners but if one of you was born before 6 April 1935, you

42 LITRG press notice, *Marriage allowance – an update on the application process*, 1 June 2015
43 "Is it really worth it?", *Taxation*, 10 June 2015
44 PQ14045, 3 November 2015
45 *HMRC contacts: Income Tax: general enquiries*, retrieved 4 May 2018
46 LITRG press notice, *HMRC announce that they can now accept claims for the new marriage allowance by telephone as well as online*, 4 November 2015

should claim the married couple's allowance instead as it will be more beneficial.

The marriage allowance for 2018/19 is £1,190 and it enables a spouse or civil partner who is not liable to income tax at a rate higher than the basic rate to transfer £1,190 of their personal allowance to their spouse or civil partner. The recipient spouse or civil partner also must not be liable to income tax above the basic rate. The maximum tax saving you can get as a couple from the marriage allowance is £238 for the year. Note that the recipient spouse or civil partner does not receive an extra personal allowance of £1,190: instead they receive a tax credit of £238 that can be set against their tax liability. If the full tax credit cannot be used by the recipient, the balance will not be repaid.

You can apply for marriage allowance online on the GOV.UK website. If you cannot claim online, you can telephone HMRC on 0300 200 3300 to make the claim or use our marriage allowance template letter to make the claim.

You can see how the marriage allowance works in the example Marjorie.

Marjorie – marriage allowance

This example uses UK income tax rates and bands; the position may be different if you are a Scottish taxpayer.

Marjorie is married to Carl. Marjorie works part-time and her salary is £8,000 for 2018/19. Carl works full-time and his salary is £21,000 in 2018/19. Marjorie and Carl are both eligible for the full personal allowance of £11,850. As Marjorie's income is only £8,000, she is not using £3,850 of her personal allowance.

Under the rules for the marriage allowance, Marjorie can choose to transfer £1,190 of her unused personal allowance to Carl.

Carl's tax for 2018/19 is therefore calculated as follows:

	£
Income	*21,000*
Less: Allowance	*11,850*
Taxable income	*9,150*
Income tax due	*1,830*
Marriage allowance tax credit	*238*
Final tax liability	*1,592*

If you make the claim before 6 April 2019 for the tax year 2018/19, the claim continues until either you withdraw it or the recipient spouse or civil partner does not obtain a tax advantage. On the other hand, if you make the claim after the end of the relevant tax year, it will only have effect for the tax year to which the claim relates; so if you make a claim after 5 April 2019 for 2018/19, you would need to make another claim for 2019/20 if appropriate ...

If you wish to withdraw the claim, for example because it is no longer beneficial, you should note that only the individual who originally made the claim (by allowing their personal allowance to be reduced) may withdraw the election. The withdrawal of the election then only takes place from the start of the following tax year ...

Warning: if you decide to transfer your marriage allowance to your spouse or civil partner you must transfer **all** of it (£1,190 in 2018/19). In some cases, this could increase your total tax bill as a couple and leave you worse off overall. This may happen if your income is more than 90% of the personal allowance (so more than £10,665 in 2018/19) and your spouse or civil partner's income is less than 110% of the personal allowance (so less than £13,035 in 2018/19).

You can see how this can happen in the example John.

John – transferable tax allowance

This example uses UK income tax rates and bands; the position may be different if you are a Scottish taxpayer.

John and Andrew, both born in 1960, are civil partners. John works part-time and his salary is £11,300. Andrew normally works full time, but in 2018/19 he takes some unpaid leave and his salary for the year is £12,250.

If John keeps his full personal allowance his tax bill is £0 (£11,300 is less than £11,850) whilst Andrew's is £80 (£12,250 - £11,850 = £400 at 20%). So, as a couple, their total tax bill is £80.

If John transfers £1,190 of his personal allowance to Andrew then his tax bill will increase to £128 (£11,300 - £10,660 = £640 at 20%) whilst Andrew's will reduce to £0 (£80 original liability less tax credit £238; balance of tax credit is not repayable), making their total tax bill £128. They have paid £48 more tax as a couple by John transferring the marriage allowance than they would have done if John had not made the transfer.

If your incomes are variable, it may be better to wait until you are certain before making the application to transfer.[47]

2.3 Recent developments

Since the introduction of the new allowance there have some concerns about the level of take-up.[48] To date it appears that around 2.4m couples have applied for the marriage allowance,[49] though in answer to PQs on this issue, the Government has underlined the point that eligible couples who had not claimed for the tax year 2015/16 will have until 5 April 2020 to do so.[50]

Initially HMRC had estimated that the annual cost of the allowance would be £495m in 2015/16 rising to £730m by 2019/20.[51] In April 2017 the Government stated, "our current best estimate assessment of the initial cost of this allowance is £140m in 2015/16, but this does not include the impact of any expected future claims, which can be backdated to this year. We forecast the total cost of this allowance to rise to £385m in 2015/16 once these claims are taken into account."[52]

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47 What tax allowances am I entitled to?, May 2018; in particular, the section of this guidance entitled, Can I transfer my allowances to my spouse or civil partner?

48 PQ24585, 2 February 2016; PQ52103, 14 November 2016. See also, Low Incomes Tax Reform Group press notice, *Tax experts encourage couples to claim marriage allowance*, 10 March 2016.

49 PQ108677, 24 October 2017

50 For example, PQ28276, 3 March 2016; PQ108677, 24 October 2017

51 *Budget 2015*, HC 1093, March 2015 p67 (Table 2.2 – item bf).

52 PQHL6306, 5 April 2017

The Chancellor Philip Hammond presented the Government's Autumn Budget on 22 November, and, as part of this, confirmed that the personal allowance would be increased to £11,850 from April 2017.[53] The Budget report confirmed that the marriage allowance would be increased in line with this to £1,190 for 2018/19, and that "the government will now allow claims in cases where a partner has died before the claim was made."[54] Further details were given in a tax information & impact note:

> **Background to the measure**
>
> The government introduced Marriage Allowance (MA) in 2015 to recognise marriage through the tax system. MA allows individuals to transfer 10% of their personal allowance to their spouse or civil partner where the recipient is not a higher rate or additional rate taxpayer. Individuals are able to backdate claims for up to four years. Currently, the legislation does not allow transfers of personal allowance on behalf of deceased spouses and civil partners, or from a surviving partner to a deceased partner.
>
> **Detailed proposal**
>
> **Operative date :** This measure will come into force on 29 November 2017.
>
> **Current law :** Sections 55A to 55E of the *Income Tax Act (2007)* provide for the transfer of a portion of income tax personal allowances for married couples and civil partners. Section 55C(1)(a) provides that an individual may make an MA election only if they are married to, or in a civil partnership with, the same person both 'for the whole or part of the tax year concerned' and 'when the election is made'.
>
> **Proposed revisions :** Legislation will be introduced in *Finance Bill 2017-18* to amend Sections 55B to 55D of the *Income Tax Act 2007*. This will enable an individual whose spouse or civil partner is deceased to make an application for MA, and for the claim to be backdated for up to four years where the entitlement conditions are met.[55]

There was relatively little mention of this measure in the coverage of the Budget, although the LITRG issued a press notice, strongly welcoming this change:

> The Low Incomes Tax Reform Group has warmly welcomed today's announcement that the Government will allow claims to the marriage allowance in cases where a partner has died before the claim is made, and that such claims can be backdated by up to four years provided all other conditions for the allowance are met. This implements a long-standing recommendation by the Group.
>
> Anne Fairpo, chairman of the Low Incomes Tax Reform Group, said: "This announcement corrects what has long been perceived as a harsh anomaly in the way marriage allowance claims are structured. As the existence of the allowance is not widely known, it often happens that the first time a couple hears about it is after

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53 HC Deb 22 November 2017 c1053

54 *Autumn Budget 2017, HC 587, November 2017 para 3.6*; HM Treasury, *Overview of tax legislation and rates*, 22 November 2017, Annex A : Rates and allowances

55 HMRC, *Income Tax: Marriage Allowance claims on behalf of deceased partners*, 22 November 2017. HMRC state that the cost of this measure is negligible.

> one of them has died and the question of a marriage allowance claim arises during the administration of their estate. But by then it is too late, because up to now the law has provided that a couple must be married or in a civil partnership at the time of the claim. Today's welcome change of heart by the Government will remove this obstacle, and the four-year backdating will enable couples who have been refused claims by the surviving spouse or civil partner to re-apply."[56]

Provision to this effect is made by s6 of the *Finance Act 2018*.[57]

[56] LITRG press notice, *Tax campaigners hail today's breakthrough on claims for marriage allowance by bereaved spouses*, 22 November 2017

[57] It was briefly debated, and agreed, without a vote at the Committee stage of the Finance Bill on 9 January 2018 (PBC, First Sitting, 9 January 2018 cc20-22).

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BRIEFING PAPER
Number 00870, 4 May 2018