

Working beyond retirement

Working after 65 is on the rise in the UK. With the abolition of the default retirement age, receiving a carriage clock at the age of 65 and then shuffling off to tend the garden has become a thing of the past, and it is increasingly the norm for the older population to work beyond state retirement.



So, if you plan on working after you reach 65 the following facts may be of interest to you.

If you're employed and getting just the State Pension

The State Pension counts as taxable income but is paid to you without any tax taken off. If your State Pension, your job and any other sources of income add up to more than your tax-free allowances - such as Personal Allowance or Blind Person's Allowance - you'll need to pay tax on your total taxable income.

If tax is due on your State Pension, HM Revenue & Customs (HMRC) will normally arrange for this to be deducted by your employer from your earnings through the PAYE tax code system. They do this by reducing your tax-free allowances by the amount of State Pension income you receive. This ensures you pay the right amount of tax due.

If your affairs are complex HMRC may also ask you to fill in a Self Assessment tax return. For example, if you have investment income above a certain level, or foreign income.

If you're employed and getting more than one pension (including the State Pension)

If you're employed and get a workplace and/or personal pension you will have several tax codes and payslips - from a combination of your employer and your pension provider/s.

If you're receiving the State Pension as well, HMRC usually try to collect all of the tax due on it from just one company/pension provider by reducing your tax-free allowance as described in the previous section. If you have several personal/workplace pensions they normally collect the tax due on each from each pension provider separately.

Where you have more than one payslip and tax code it's important to understand and check them all. If you think a code is wrong you can ask to get it corrected.

Paying National Insurance

When you reach State Pension age (as an employee) you'll no longer have to pay National Insurance.

Check your state retirement date

www.gov.uk/calculate-state-pension

Tax when returning to employment after retirement

If you start a new job after retiring your employer will need to tell HMRC so they can make sure you're paying the right tax.

If you weren't paying tax in retirement

You'll need to start paying tax if your total income including State Pension and/or any other pension you get together with your employment earnings exceeds your tax-free allowances - such as Personal Allowance or Blind Person's Allowance.

Once your employer tells HMRC that you've started work HMRC will issue a tax code and collect the right amount of tax through PAYE. As described earlier, if tax is due on your State Pension HMRC will account for this by reducing your tax-free allowances by the amount of State Pension you receive.

If you're already paying tax in retirement

If you're already paying tax through PAYE because you have a workplace or personal pension, read the earlier sections of this guide to understand how you'll pay tax once you start work.

If you weren't previously in PAYE and were filling in a Self Assessment tax return in order to pay tax on your State Pension (and other income) you may be able to pay all of your tax through your employment tax code instead. Your new employer may be able to advise you about this or you can contact the Self Assessment Helpline.

Working and on a low income?

If you're earning a wage and receiving a pension but you've still got a low income, you may be able to claim Pension Credit.

Automatic enrolment if you're above State Pension age

If you're over the State Pension age, you won't be automatically enrolled by your employer into a workplace pension.

Depending on your earnings, up to age 74 you have the right to opt in, but from age 75 the tax benefits of pension savings stop.

If you're between State Pension age and 74

If you've reached State Pension age, you won't be automatically enrolled into your employer's workplace pension scheme.

However, provided you earn £5,772 or more a year (tax year 2014-15), you have the right to opt in to the scheme.

If you opt in, your employer will have to contribute to your pension in the same way as for anyone who's been automatically enrolled.



If you earn less than £5,772 you won't automatically be enrolled, but your employer has to give you access to a pension to save into if you ask them to, and has to make arrangements for you to join. However, they are not required to contribute to it.

If you're 75 or over

Automatic enrolment does not apply to workers aged 75 or over. The tax benefits of saving into a pension scheme stop at age 75.

For further information visit

www.gov.uk