



How much can I earn in one year without paying any tax?

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With the Spring Budget (March-23) just around the corner, many individuals and businesses are concerned what the Chancellor has in store; especially given the changes which were introduced in the Autumn Statement and the emergency budget which followed in November 2022.

Rather than us speculating on what Jeremy Hunt may announce, we thought it would be a better use of our time looking at what an individual could earn without suffering any tax. That's right, actual ways of legitimately earning money, without suffering tax. To illustrate this, we posed ourselves a (very) hypothetical question; **How much can be earned in a single tax year, without any tax being suffered?**

The answer, which is detailed below, is quite surprising, but you need to bear in mind, it would be seriously far-fetched to achieve everything listed below. You also need to bear in mind that the scenarios outlined below are relevant for the tax year ended 5 April 2023; whether they will be relevant in future tax years will depend on what Mr Hunt says on 15 March 2023.

Personal Allowance

Firstly, each UK taxpayer has an annual personal allowance; that is an amount of money which they can earn without paying a penny of tax. Currently, this is set at £12,570 of taxable income.

Rent-a-Room Exemption

Often overlooked, this valuable relief enables those with a lodger, or lodgers, to earn a certain amount of rent with no tax payable. Currently, the first £7,500 of rent received is tax-free.

Dividend Allowance

Dividends have their own allowance which means that the first £2,000 of dividend income is tax-free.

Personal Savings Allowance

Basic rate taxpayers are entitled to receive up to £1,000 of savings income (e.g. bank interest) tax-free.

Remember too that savings income, from money and investments held in ISAs, as well prizes from Premium Bonds, are also received tax-free and this income does not eat into the annual savings allowance.

Property Allowance

We each have a property allowance of £1,000, which means that property rental income of less than £1,000 remains tax-free. For example, let's say you rented out your driveway or perhaps rented your house on Airbnb, as long as the annual rent is under £1,000, it's tax-free.

Trading Allowance

For those with a very, very small businesses, e.g. car-booters, hobby traders or even the provision of ad-hoc services; you're entitled to earn up to £1,000 tax-free.



Marriage Allowance

Married couples and civil partners, where neither person pays tax at the higher rate, can transfer £1,260 of their personal allowance to their spouse or civil partner, if one of them is unable to use their allowance in full.

Blind Person's Allowance

For those eligible, an additional £2,600 of personal allowances is available. This is also available to transfer to spouses or civil partners if they are unable to fully use their allowance.

Tax-free gains

In addition to the income tax allowances and exemptions outlined above, each taxpayer is also able to generate a tax-free gain of up to £12,300 in the year to 5 April 2023 by using the annual exemption. So for example, if you sold an investment (e.g. shares) and made a gain of £12,300 and that was your only gain in the 2022/23 tax year, there would be no tax suffered.

So, how much can be earned tax-free?

Theoretically, for the tax year ended 5 April 2023, someone with a particular set of circumstances and able to plan and organise their income and gains absolutely perfectly **could earn the grand sum of £41,230 without suffering a single penny of tax.** Not bad!

Maybe the moral of the story should be not to concentrate on what the Chancellor has done, or will do, to curtail our income, but instead, what can we do, legitimately, to increase it.

If nothing else, we hope that the above has been a welcome distraction from the daily grind but we hope it has served to illustrate a very important point. If any of the above has 'got you thinking' please do get in touch to see how we can help.

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