

Deposits

Many customers will have money on deposit either with a bank or building society.

Commercial banks

Commercial banks offer a variety of deposit accounts. Interest, which varies in line with the general level of interest rates, is paid net of 20% tax. Non-tax payers are able to reclaim the tax deducted or arrange to have the interest paid gross. Starter rate tax payers can claim back 10% of the 20% deducted at source, basic rate tax payers have no further liability and higher rate tax payers will be liable to a further 20% on the gross interest.

Building societies

Building societies also offer a variety of savings accounts each with different terms and conditions. Interest earned may be fixed for a specified period or vary in line with interest rates generally. Interest will be paid net of 20% tax. The tax position is the same as commercial bank deposit accounts. Some accounts may restrict access to the money in the account and there may be penalties for early withdrawals.

Cash ISA

You can have one cash ISA up to the limit of £3600 (or £5,100 if you are aged over 50 from 6 October 2009, and to everyone else from 6 April 2010), the cash ISA can consist of money on deposit enjoying a tax-free environment. The minimum age to own a cash only ISA is 16 attained.

National Savings

National Savings are Government-backed and there are a variety of instruments available.