Deductions & Allowances

Money

The difference between a deduction and a credit, and why it matters.

A deduction is worth your marginal rate. A credit is worth its full face value.

£100 deduction at 20% saves £20 · £100 credit saves £100

£1,000 deduction, 20% rate — **Saves £200**

Scales with your rate.

£1,000 deduction, 40% rate — **Saves £400**

Worth more to higher earners.

£1,000 credit, any rate — **Saves £1,000**

Same for everyone.

THE COMMON MISTAKE

- ✕ **Spending to get a deduction**
- ✓ **Only claim what you would have spent anyway**

A deduction returns a fraction of what you spent. Spending £100 to save £20 leaves you £80 down.

General education. Which deductions and credits exist varies enormously by country and circumstance.