What is the annual allowance?

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It's the maximum amount that can be paid into an individual's pension arrangements each year without triggering a tax charge. For the tax year 2024/25 this amount is £60,000, however anyone with threshold income of over £200,000 and adjusted income of over £260,000 will get a reduced annual allowance.

If you exceed the annual allowance, including if your annual allowance is reduced, and you incur a tax charge, you may be able to use Scheme Pays to pay the charge. Please see the **Scheme Pays** brochure for more information.

What is 'threshold income'?

This figure includes your total taxable income but excludes any employer's pension contributions and is reduced by the gross amount of any personal contributions to personal pension schemes.

What is 'adjusted income'?

This figure includes your total taxable income plus any employer's pension contributions plus any personal contributions to occupational pension schemes. So people with salaries below £260,000 could be affected. Please be aware that the calculation of adjusted income is subject to complex tax rules.

What about those earning more than £260,000 a year?

For those with a 'threshold income' of over £200,000 and 'adjusted income' of over £260,000, the annual allowance tapers downwards. People lose £1 of allowance for every £2 of income over £260,000. So someone earning a total adjusted income of £360,000 or more will have their annual allowance reduced to £10,000.

Can you give me more information on the taper?

This table shows how it works in practice:

Your 'adjusted income'	Your annual allowance from 6 April 2023
£260,000 and below	£60,000
£270,000	£55,000
£280,000	£50,000
£290,000	£45,000
£300,000	£40,000
£310,000	£35,000
£320,000	£30,000
£330,000	£25,000
£340,000	£20,000
£350,000	£15,000
£360,000+	£10,000

Carry forward annual allowance

The good news is that if you have the standard annual allowance, or are subject to the tapered annual allowance, you can make contributions to cover any annual allowance you didn't use from the previous three tax years, (as long as you were a member of a registered pension scheme during those three years and have relevant UK earnings to cover 100% of your personal contribution in this tax year). It's known as the 'three year carry forward rule'. The total amount of your unused annual allowance can be added to the current tax year's annual allowance. This gives you the opportunity to make a larger pension contribution without paying a tax charge.

If you believe you may have an annual allowance charge to pay for a previous tax year, or are intending to make a lump sum contribution in the current tax year, you will find further information about how the annual allowance and carry forward, including tapering, may affect you at: **https://www.gov.uk/guidance/check-if-you-have-unused-annual-allowances-on-your-pension-savings**.

HMRC also provide a calculator on that same page. You can find how much was paid into your pension in previous years on your annual statement, or your pension savings statement if you were sent one. Don't forget to include all the pensions in which you built up benefits in the relevant years.

What if I have flexibly accessed my pension savings?

Flexibly accessing usually means taking your benefits in a way other than buying an annuity.

If you flexibly access your benefits your annual allowance in respect of money purchase pension arrangements reduces to £10,000 (tax year 2024/25) for that tax year and any subsequent tax years. The provider of the arrangement you have accessed will notify you if the money purchase annual allowance (MPAA) applies to you.

There are no carry forward provisions for MPAA. A tax charge will apply if you exceed the MPAA and this will also impact the amount of pension savings you can make to other types of pension arrangements.

A few important points

- If you are checking whether your pension contributions exceed the annual allowance in a tax year, or filling in a tax return, you need to consider when your pension contributions were made. Usually this will be the date the contributions have been received by your pension scheme. However, if you personally contribute to an Occupational Pension Scheme, HMRC allows you to use the date(s) that these contributions were deducted from your pay. You should note though that any pension savings statement that your scheme provides to you will usually be based upon the date of receipt by the scheme. If you are not sure what type of scheme you are in, please contact us.
- You can find out more about the annual allowance on the HMRC website at www.gov.uk/tax-on-your-private-pension/annual-allowance
- If you think you might be affected then we strongly recommend that you receive individual tax advice from a qualified financial adviser, to help you assess the options and make sure that you make the right decisions. If you don't have a financial adviser you can find one in your area from www.unbiased.co.uk
- Tax benefits and legislation are subject to change, interpretation and individual circumstances. The content of this guide is provided for information purposes only. It does not constitute any legal, financial or tax advice. Aviva makes no representation, express or implied, as to the accuracy of this guide, and accepts no liability whatsoever for any use of this information or any reliance placed on it.
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