

Unused income tax relief on
pension contributions;

Use it or lose it.

Carry Forward

CARRY FORWARD could allow an individual with adjusted income of £210,000 or more to benefit from up to £63,000 of income tax relief on previous years' unused pension contribution allowances.

Before the end of the tax year (5 April), an individual with adjusted income of £210,000 or more could make gross pension payments of up to £140,000 with full income tax relief, provided their circumstances allow it.

Who it affects

- High earners, namely those paying higher rates of income tax
- Those with irregular or flexible earnings, who are in a position to make large contributions
- Business owners
- Members of defined benefit pension schemes (e.g. final salary schemes)

What is Carry Forward?

Carry forward is the recovery of unused allowances from the previous three tax years, provided the individual has been a member of a pension scheme in the year to be carried forward from. In the table below, an individual has made contributions in the past 3 tax years.

Here, the total carried forward amount of £80,000 when added to this year's allowance gives a total available contribution of £90,000.

Tax Year	13/14	14/15	15/16	16/17
Annual Allowance	£50,000	£40,000	£40,000	£10,000
Contributions made	£30,000	£10,000	£10,000	£-
Carried forward	£20,000	£30,000	£30,000	£10,000
Available in 16/17	£90,000			

Provided the individual has taxable earnings in the additional rate band at least equal to the pension contribution, this would attract income tax relief of £40,500 for an additional rate tax payer.

Use it or lose it

Unless action is taken, any unused allowance from 2013/14 will be lost from 6th April 2017.

Getting it right

The current cap on the value of total pension benefits that can be accrued without suffering a tax charge is £1million. Any benefits in excess of this, including defined benefit pensions, will be potentially subject to an additional tax charge that can negate the benefits of tax relief on contributions.

It is therefore important to contribute an amount which maximises tax relief today, without running the risk of exceeding the cap in future years.

How we can help

We can help individuals weigh up the advantages and disadvantages of maximising their pension contributions, against the risk and cost of potential future penalties. To contact us, do not hesitate to call on 0207 287 2225 or by email (hello@edisonwm.com). You can view a copy of the Briefing Note on our [website](#) by [clicking here](#).

The above is a simplification of the legislation. It does not constitute advice. The views expressed above are subject to changes in legislation. The Financial Conduct Authority does not regulate tax advice.



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