

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 £45,000 of income tax relief on previous years' unused pension contribution allowances (known as annual 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 £100,000 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 annual allowances from the previous three tax years, provided the individual has been a member of a pension scheme at some point in the year to be carried forward from.

In the table below, an individual has made contributions in the previous 3 tax years.

Tax Year	14/15	15/16	16/17	17/18
Annual Allowance	£40,000	£40,000	£10,000	£10,000
Paid in	£10,000	£10,000	£-	£-
Carried forward	£30,000	£30,000	£10,000	£10,000
Available in 17/18	£80,000			

Here, the total carried forward amount of £70,000 when added to this year's allowance gives a total available contribution of £80,000

Use it or lose it

Unless action is taken, any unused allowance from 2014/15 will be lost from 6th April 2018.

Getting it right

The current cap on the value of total pension benefits that can be accrued without suffering a tax charge is £1million. This will increase to £1,030,000 from 6th April 2018. 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

Pensions continue to be an attractive long-term investment vehicle, especially now they can, in many cases, be accessed more easily on retirement and passed on tax efficiently to beneficiaries. We can help individuals with planning the appropriate level of pension contributions in order to avoid charges.

To contact us, do not hesitate to call on 0207 287 225 or by email (help@edisonwm.com).

You can [read this Briefing Note](#) on our [website](#). To download it or view other updates please [visit our Insights page](#).

Important Information

The above is a simplification of the legislation. It does not constitute advice. This piece was written based on the legislation applicable at the time. The views expressed above are subject to changes in legislation. The Financial Conduct Authority does not regulate tax advice.



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