



TAX FACTSHEET

ANNUAL ALLOWANCE

Your annual allowance is the most you can save to your pension savings in a tax year (6 April to 5 April) for tax relief purposes. The Annual Allowance is currently set at £40,000 a year. A lower limit of £4,000, known as the Money Purchase Annual Allowance, will apply if you have already started accessing your pension savings flexibly (by taking a taxable lump sum, for example). If you have a high income, you'll have a reduced (or tapered) annual allowance. This is calculated on a sliding scale but the minimum reduced annual allowance you can have, within the current tax year, is £4,000.

The Annual Allowance includes:

- Any contributions you pay, or your employer pays on your behalf through pensions salary sacrifice (if applicable)
- Your employer's contributions
- Any contributions you pay to another tax-registered pension scheme.

You will be taxed at your highest marginal rate on any contributions above the Annual Allowance.

You can find out more about the Annual Allowance at [gov.uk/tax-on-your-private-pension](https://www.gov.uk/tax-on-your-private-pension).

TAX RELIEF

You can get tax relief on private pension contributions worth up to 100% of your annual earnings. You get the tax relief automatically if your employer takes workplace contributions out of your pay before deducting Income Tax.

LIFETIME ALLOWANCE

There's a limit on the total value of pension benefits you can build up throughout your lifetime without paying an excess tax charge. This is known as the lifetime allowance. The standard lifetime allowance is currently £1,073,100. It is expected to stay at this level until April 2026.

IMPORTANT NOTES

Understanding the tax implications of your pension is really important for keeping your pension savings on track. If you think that you will exceed any of the thresholds stated above, we would recommend speaking to a financial adviser. It is your responsibility to monitor your own position in relation to the annual allowance.

The information on this factsheet is provided as a high level overview in good faith but is not legal or financial advice or binding on the Trustee. The trust deed and rules will override in the event of any inconsistency. Talk to Pensions wise, a free Government service, before making a decision or take your own financial advice.

