



THE CHEVIOT PENSION 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 £60,000 a year. A lower limit of £10,000, 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.

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

The Lifetime Allowance will end in April 2024 and be replaced by new allowances:

- Lump Sum Allowance (LSA) and
- Lump Sum and Death Benefit Allowance (LSDBA)

The Lump Sum Allowance (LSA) is a limit on the amount of tax-free cash you can take as a lump sum from your pension. The standard LSA is £268,275, which is 25% of the Lifetime Allowance set at £1,073,100 before 6 April 2024. This limit includes any lump sums you have taken from other pension arrangements.

The Lump Sum and Death Benefit Allowance (LSDBA) is a limit on the amount of tax-free cash paid out during your lifetime or when you die. The standard LSDBA is £1,073,100.

In both cases, benefits which exceed the monetary cap will be taxed at an individual's or beneficiaries' marginal rate. Further information can be found [here](#).

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.

