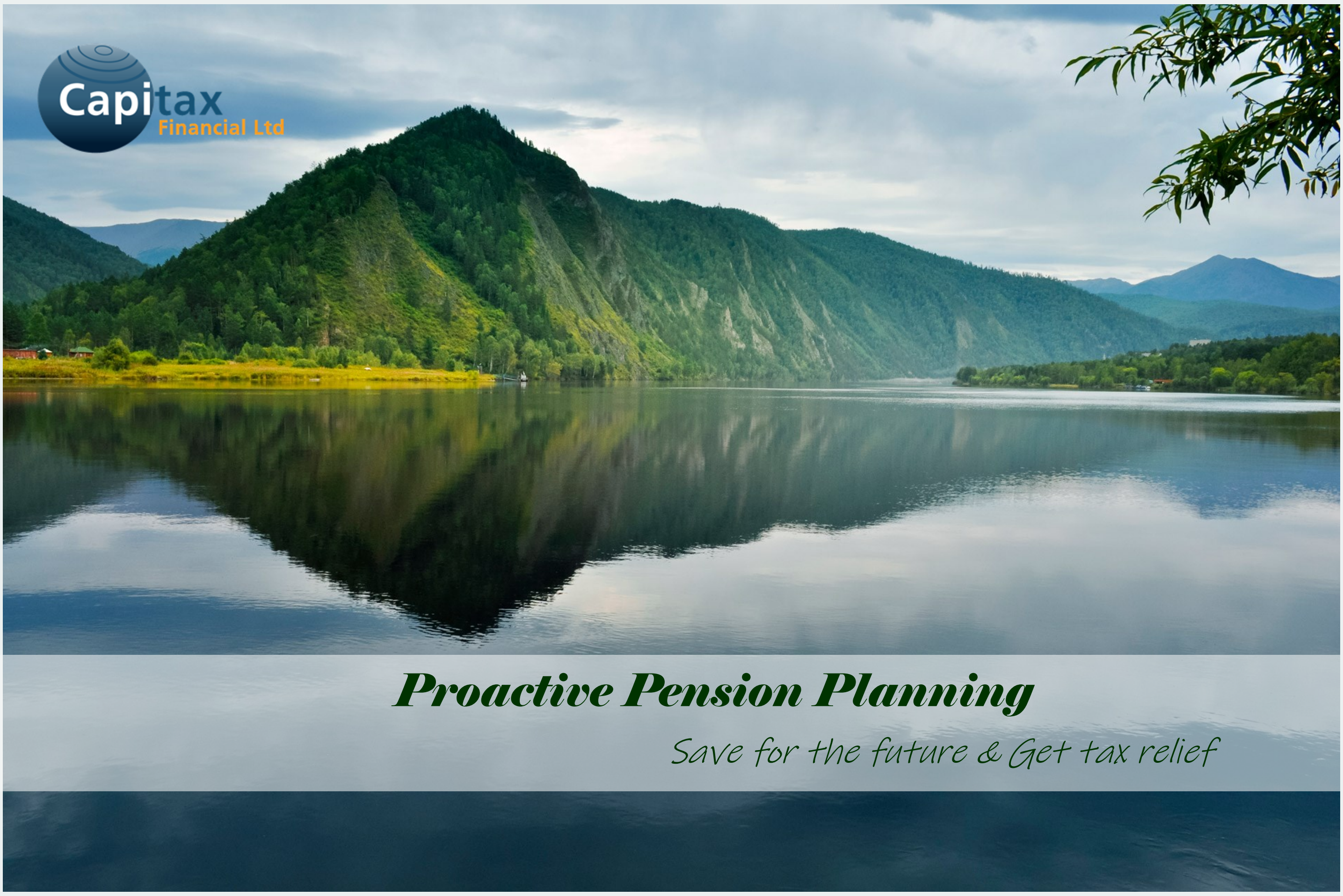

Proactive Pension Planning

Save for the future & Get tax relief

Saving for the future and planning for your retirement it's important. Using a pension to save for your retirement also provides you with tax relief, as some of the money that would have gone to the Government in tax, will be added to your pension pot instead.

You can benefit from tax relief when contributing to your pension plan up to your net relevant earnings or your Annual Allowance – whichever is lowest. The pension annual allowance remains at £40,000 for the 2022/23 tax year.

Taxpayers with annual adjusted incomes more than £240,000 will have their annual allowance reduced, to a minimum of £4,000.00.

Pension Annual Allowance

Taxpayers with threshold income greater than £200,000.00 and an adjusted income greater than £240,000 will have their annual allowance for 2022/23 tax year restricted. The annual allowance is reduced by £1 for every £2 of adjusted income exceeding £240,000.

The maximum reduction is £36,000 and as such, the minimum pension annual allowance remains at £4,000 for 2022/23 tax year. In general, this would be the case if you earned more than £312,000 in a given tax year.

Any pension contributions exceeding your pension allowance will be added to the taxable income for the tax year and taxed at the respective marginal rate of tax.

In 2022/23 you will be able to bring forward any **unused** pension allowances from the previous three tax years. You have to be a **member of a registered pension scheme** for those years in order to bring forward the unused pension allowance.

This is particularly handy for those who have just started having their annual allowance tapered. This enables you to bring forward up to **£120,000** of pension allowance that will not be subject to tax!

Hence, there is a possibility to bring forward the following (subject to specific circumstances):

2021/22[1]	£40,000.00
2020/21[1]	£40,000.00
2019/20[1]	£40,000.00
TOTAL	£120,000.00

However, your total private pension contributions should not exceed your annual net relevant earnings as this could result in **NO** tax relief. This is "earned" income that excludes most rental, dividend and pension income.

Example:

Pooja has the following income in 2022/23:

Salary	£230,000
Employee's Pension Contributions	£10,000
Employer's Pension Contributions	£20,000
Dividends	£2,000
Interest	£5,000

Threshold Income is **£237,000**, because the employee's and employer's pension contributions are excluded.

Adjusted Income is **£267,000**, with all of the income and benefits being included in this definition. As this value is above £240,000, there will be tapering of the annual allowance.

The reduction in annual allowance will be:

i. (£267,000 - £240,000) = £27,000
ii. £27,000 ÷ 2 = £13,500
iii. £40,000 - £13,500 = £26,500

Reduction of Your Allowance

Here are some examples showing how the reduction in annual allowance will work once the adjusted income has been calculated:

Adjusted Income (£)	Reduction in Annual Allowance (£)	Annual Allowance for (£)
240,000	0	40,000
255,000	7,500	32,500
270,000	15,000	25,000
285,000	22,500	17,500
300,000	30,000	10,000
≥312,000	36,000	4,000

USE IT OR LOSE IT!

Calculate your unused carried forward allowances correctly to ensure maximum tax efficient contributions.

Restricted Tax Relief

If you're making personal private pension contributions, you will receive tax relief on these contributions. The amount of tax relief available is limited to the higher of your UK relevant earning or £3,600.00 per tax year.

If excess tax relief has been automatically claimed by your pension, this is repayable to HMRC, and you have to inform your pension provider.

Employment Pension Contributions

Employment pension contributions are generally matched by the employer as well. As employer's Pension contributions count towards the Pension Annual Allowance, high earners might be in the unfortunate position of paying tax on their employment pension contributions at the year end.

Employees can check their allowances and contributions made during the year and reduce their employment pension contributions, as they see fit, or carry on with the same level of pensions and pay the tax via voluntary Scheme pays, offered by the pension provider.

By reviewing your pension contributions you can check if you are better off by carrying on with your employment pension contributions, or reduce them effectively.

Owner Managed Business

If your threshold income is below £200,000, your personal annual allowance is not tapered/reduced by your employer's pension contributions.

Therefore, your company could make an employer pension contributions on behalf of employees or directors totaling £40,000 for the year.

The company will benefit from corporation tax relief. These contributions are subject to available profits and rules.

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