Carry forward relief allows individuals to use unused pension annual allowance from the previous three tax years to make larger pension contributions in the current tax year and still receive tax relief. This means that if you didn't use your full annual allowance in the past, you can potentially contribute more than the current year's allowance without incurring tax charges.

How it works:

* 1. **1. Annual Allowance:**

The annual allowance is the maximum amount you can save into your pension each tax year and receive tax relief. For most people, this is currently £60,000.

* 1. **2. Carry Forward:**

You can carry forward any unused annual allowance from the previous three tax years to add to your current year's allowance.

* 1. **3. Example:**

If you had an unused allowance of £10,000 in each of the last three tax years, you could potentially contribute £90,000 in the current year (current year's £60,000 plus the carried-forward £30,000).

* 1. **4. Eligibility:**

You need to be a member of a registered pension scheme in the years you are carrying forward from.

* 1. **5. Tapered Annual Allowance:**

If your adjusted income exceeds certain thresholds, your annual allowance may be reduced (tapered). In such cases, carry forward can still be used in conjunction with the tapered annual allowance.

* 1. **6. Money Purchase Annual Allowance (MPAA):**

If you have triggered the MPAA by flexibly accessing your pension, you cannot use carry forward to increase the MPAA limit for post-trigger date contributions.

Key Considerations:

* 1. Carry forward is a valuable tool for maximizing pension contributions and tax relief, especially for those with fluctuating income or who want to make larger contributions in certain years.
  2. Consult with a financial advisor to understand how carry forward rules apply to your specific situation and to ensure you are making the most of your pension contributions.
  3. Remember that tax relief on pension contributions is generally available up to the amount of your UK relevant earnings.
  4. Carry forward of pension annual allowance

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