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What will Rachel do? Here is one of my favourites

ANGLO INTERNATIONAL
PERSONAL FINANCIAL MANAGEMENT

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What will Rachel do? Here is one of my favourites.

Continuing our series of the possible things that may be in the Budget this coming November.
The Labour Government have boxed themselves in, with their Manifesto pledges not to increase Income Tax, VAT or National Insurance, on “Working People”. But there are plenty of other things they can do such as reduce allowances and reliefs on some of the other taxes and benefits.

Here is one of my favourites for us to consider.

CARRY FORWARD RELIEF

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 at source. 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. 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 their annual gross income or salary or currently £60,000, whichever is the least.

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.

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).

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

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.

6. Money Purchase Annual Allowance (MPAA)
The Money Purchase Annual Allowance (MPAA) is a reduced limit on tax-relieved pension contributions for individuals who have already flexibly accessed their defined contribution pension savings. Once triggered, usually by taking a flexible income or uncrystallised funds pension lump sum, the standard annual allowance of £60,000 is reduced to £10,000. This prevents individuals from repeatedly taking money out of their pension and putting it back in for further tax relief.

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:

- 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.
- Consult with us to fully understand how carry forward rules apply to your specific situation and to ensure you are making the most of your pension contributions.

- Remember that tax relief on pension contributions is generally available up to the amount of your UK relevant earnings.
- If you have not used up all your Annual Allowances this tax year and in the previous three years, here is a way of obtaining Treasury top ups into your pension by maximising the tax reliefs at source.

Give us a call to discuss your options.

Best Wishes
Ray

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