HMRC - PTM055100 - General

The carry forward rule - general

Sections 228A, 228B and 228C Finance Act 2004

The carry forward rule - general

From tax year 2011-12 onwards, if an individual has a total pension input amount of more than the annual allowance, they may still not be liable for an annual allowance charge for that year due to carrying forward available unused annual allowance.

Any annual allowance an individual has not used in recent previous tax years can be carried forward to the current tax year and added to the current year’s annual allowance. This gives the individual a higher available annual allowance to use against the current year’s total pension input amount.

The recent previous tax years that unused annual allowance can be carried forward from depends on the current tax year in question (see The carry forward rule – from which previous tax years further down this page).

From tax year 2015-16 onwards, certain individuals might be subject to the money purchase annual allowance instead of the annual allowance. (Note – tax year 2015-16 itself is split into two ‘mini’ tax years for annual allowance purposes, see PTM058010 for more details.) It is still possible to carry forward from a previous tax year when the money purchase annual allowance applied but the amount that can be carried forward is calculated by reference to the alternative annual allowance that applied for that previous tax year (see PTM055200 and, for tax year 2015-16, PTM058030).

From tax year 2016-17 onwards, certain individuals might be subject to the tapered annual allowance (they could also be subject to both the tapered annual allowance and money purchase annual allowance). When this occurs in a previous tax year, the amount that can be carried forward is calculated by reference to the individual’s reduced annual allowance (or, if the money purchase annual allowance applied as well, the individual’s reduced alternative annual allowance).

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The carry forward rule - from which previous tax years

Individuals can carry forward annual allowance they have not used in recent previous tax years to the current tax year.

The recent previous tax years that unused annual allowance can be carried forward from depends on the current tax year in question, as follows.

Note - individuals who for one or more previous tax years before 2015-16 met the condition of having a valid declaration for flexible drawdown accepted by a scheme administrator cannot carry forward any unused annual allowance from that previous tax year. This applies whether the individual’s valid declaration was for member flexible drawdown (see PTM062580) or dependants’ flexible drawdown (see PTM072330).

Position up to tax year 2014-15

Where the current tax year is 2011-12, 2012-13, 2013-14 or 2014-15 individuals can carry forward any annual allowance they have not used in the previous three tax years.

Position for tax year 2015-16

There are transitional annual allowance rules for tax year 2015-16 (see PTM058000 onwards).

For annual allowance purposes only, tax year 2015-16 is split into two ‘mini’ tax years:

the pre-alignment tax year (6 April 2015 to 8 July 2015), and

the post-alignment tax year (9 July 2015 to 5 April 2016).

Pre-alignment tax year

Individuals can carry forward to the pre-alignment tax year any annual allowance they have not used in the previous three tax years (i.e. from any of 2012-13, 2013-14 and 2014-15).

Post-alignment tax year

Individuals can carry forward to the post-alignment tax year any annual allowance they have not used in the previous four tax years (i.e. from any of 2012-13, 2013-14, 2014-15 and the pre-alignment tax year).

Note – there is a cap on the amount of any unused annual allowance that can be carried forward from the pre-alignment tax year, depending on the individual’s circumstances for that ‘mini’ tax year (see When members can carry forward unused annual allowance further down this page).

Note - a different method of calculation applies if the money purchase annual allowance applied for the pre-alignment tax year (see When the money purchase annual allowance applies for a previous tax year further down this page).

Position for tax years 2016-17 to 2018-19

Individuals can carry forward any annual allowance that they have not used in the previous four tax years to the current tax year, as follows.

For tax year 2016-17 - from the post-alignment tax year, the pre-alignment tax year, 2014-15, 2013-14.

For tax year 2017-18 – from 2016-17, the post-alignment tax year, the pre-alignment tax year, 2014-15.

For tax year 2018-19 - from 2017-18, 2016-17, the post-alignment tax year, the pre-alignment tax year.

Note – there is a cap on the amount of any unused annual allowance that can be carried forward from the pre-alignment tax year, depending on the individual’s circumstances for that ‘mini’ tax year (see When members can carry forward unused annual allowance further down this page).

Note – except in very limited circumstances, it is not possible to carry forward any unused annual allowance from the post-alignment tax year. Typically, this means individuals can carry forward unused allowance from up to three of the four previous tax years.

Note - a different method of calculation applies if the money purchase annual allowance applied for an earlier tax year (see When the money purchase annual allowance applies for a previous tax year further down this page).

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When members can carry forward unused annual allowance

Sections 228A(3) & (4) and 228C(7) & (8) Finance Act 2004

Paragraphs (9A) and (9B) Schedule 34 Finance Act 2004

To carry forward unused annual allowance to a current tax year from one or more of the previous three, or previous four, tax years then the individual must have been a member of a registered pension scheme at some point in the previous tax year concerned. (See The carry forward rule – from which previous tax years above for when carry forward is from the three previous, or four previous, tax years.)

A member includes either an active member, a pensioner member, a deferred member or a pension credit member of a pension scheme (see PTM025400 for details about active, pensioner and deferred members).

Where the individual was a member of a registered pension at any time during a previous tax year, the individual has unused annual allowance for that previous tax year if the individual’s total pension input amount for the previous tax year is less than the annual allowance for that same year.

The unused annual allowance for the previous tax year is the difference between the total pension input amount for that year and the annual allowance for the same year.

If the individual was a member of a registered pension scheme at any time during a previous tax year but did not have a pension input amount for that particular tax year, they can carry forward the full amount of the annual allowance from that year (subject to certain exceptions for tax year 2015-16, explained further down this section).

Note – if a previous tax year is tax year 2016-17 (or a later tax year) and the tapered annual allowance applied to the individual for the same tax year, the individual’s total pension input amount is tested against the individual’s reduced annual allowance to determine if there is any unused annual allowance to carry forward.

If the previous tax year in question is 2014-15, the annual allowance was £40,000. If the previous tax year in question included any of 2011-12, 2012-13 and 2013-14, the annual allowance was £50,000. There is a deemed annual allowance of £50,000 if the previous year included any of 2008-09, 2009-10 and 2010-11. However, certain individuals might have deemed pension input amounts to take into account (see PTM055200 for details).

There are transitional annual allowance rules for tax year 2015-16 (see PTM058000 onwards).

For annual allowance purposes only, tax year 2015-16 is split into two ‘mini’ tax years:

the pre-alignment tax year (6 April 2015 to 8 July 2015), and

the post-alignment tax year (9 July 2015 to 5 April 2016).

If the previous tax year in question is the pre-alignment tax year, any unused annual allowance from that ‘mini’ tax year is capped at £40,000.

Despite the annual allowance for the pre-alignment tax year being £80,000, if the amount of unused annual allowance for that year exceeds £40,000, the maximum amount that can be carried forward is limited to £40,000.

If the previous tax year in question is the post-alignment tax year and the individual was a member of registered pension scheme at any time during the pre-alignment tax year then no unused annual allowance can be carried forward from the post-alignment tax year. This is because the individual has a nil annual allowance for that ‘mini’ tax year in this case.

If an individual was not a member of a registered pension scheme at any time during a previous tax year then the individual will not have unused annual allowance to carry forward from that year.

For most individuals being a member of a registered pension scheme at some point during a previous tax year will be the first requirement that must be met in order to determine how much unused annual allowance can then be carried forward from that year.

However some individuals might still be able to carry forward unused annual allowance from a previous tax year despite not being a member of a registered pension scheme at any time during that year. This would occur if, during the previous tax year, the individual was instead a member of a non-UK pension scheme in certain circumstances. PTM113300 has more details.

Example 1

An individual’s total pension input amount for the tax year 2014-15 is £25,000 and the annual allowance for the tax year is £40,000. The individual’s unused annual allowance for that tax year is £15,000 (£40,000 less £25,000).

Example 2

In the tax year 2012-13, an individual is a deferred member of a registered pension scheme but has no pension input amount for that year in respect of the deferred benefit rights because the ‘deferred member carve-out’ applies (see PTM053910). If they have no other pension input amount to take into account for that year, the individual would have unused annual allowance of £50,000 for that tax year.

Example 3

An individual joins a registered pension scheme for the first time on 1 June 2009 with a first pension input period of 1 June 2009 to 1 June 2010. The first tax year that they will have a pension input amount is 2010-11 but as the individual was a member of a registered pension scheme in the 2009-10 tax year they will have a deemed unused annual allowance of £50,000 to carry forward from that tax year.

Example 4

Tax year 2015-16 is split into two ‘mini’ tax years for annual allowance purposes (the pre and post-alignment tax years).

An individual’s total pension input amount for the pre-alignment tax year is £25,000 and the annual allowance for that tax year is £80,000. The individual’s unused annual allowance for that tax year is £40,000. Despite £55,000 worth of the £80,000 annual allowance not being used, the individual’s unused annual allowance for the pre-alignment tax year is capped at £40,000.

Example 5

An individual joins a registered pension scheme for the first time on 1 September 2015 with a first pension input period of 1 September 2015 to 5 April 2016.

Tax year 2015-16 is split into two ‘mini’ tax years for annual allowance purposes (the pre and post-alignment tax years).

The individual’s total pension input amount (i.e. all in relation to joining the registered pension scheme) for the post-alignment tax year is £30,000 and the annual allowance is £40,000 for that ‘mini’ tax year (because the individual was not a member of a registered pension scheme at any time during the pre-alignment tax year).

As the individual was a member of a registered pension scheme during the post-alignment tax year but not during the pre-alignment tax year, the individual has unused annual allowance of £10,000 (£40,000 less £30,000) from the post-alignment tax year and no unused annual allowance from the pre-alignment tax year.

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Reducing the annual allowance to £40,000 from 6 April 2014

From 6 April 2014 the annual allowance reduced to £40,000.

For the purpose of carrying forward unused annual allowance to the 2014-15 tax year, the annual allowance for each of the previous three tax years (2013-14, 2012-13 and 2011-12) remains at £50,000.

For carrying forward to the 2015-16 tax year as split into two ‘mini’ tax years, in relation to the pre-alignment tax year, the annual allowance for the previous three years is then £40,000 for 2014-15 but remains at £50,000 for each of 2013-14 and 2012-13. The same applies for the post-alignment tax year, as carry forward applies to the previous four tax years (i.e. 2012-13, 2013-14 and 2014-15 remain within scope along with the pre-alignment tax year).

For carrying forward to the 2016-17 tax year, the annual allowance for the previous four tax years is then nil (ordinarily) for the post-alignment tax year, £80,000 for the pre-alignment tax year (but a £40,000 cap applies to any unused annual allowance), £40,000 for 2014-15 but remains at £50,000 for 2013-14 and so on.

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When the money purchase annual allowance applies for a previous tax year

When the money purchase annual allowance applies for a previous tax year (i.e. when the individual had an annual allowance charge by reference to the application of the money purchase annual allowance), the maximum amount of unused allowance that can be carried forward from that tax year is calculated by reference to the alternative annual allowance for the tax year concerned.

There will be unused allowance to carry forward if the ‘other inputs’ for that previous tax year were less than the alternative annual allowance for the same tax year. If so the unused allowance is the difference between the ‘other inputs’ and the alternative annual allowance.

For example, if the individual’s ‘other inputs’ for the tax year are £25,000 and the alternative annual allowance for the tax year is £30,000 then the unused allowance for the tax year is £5,000 (£30,000 less £25,000).

Note - a previous tax year for which an individual might have an annual allowance charge by reference to the money purchase annual allowance cannot be any earlier than 2015-16.

Note - tax year 2015-16 is split into two ‘mini’ tax years for annual allowance purposes (the pre and post-alignment tax years) and the amount of alternative annual allowance for either, or both, of the ‘mini’ tax years depends on the circumstances of the individual (PTM058030 has more details).

Note - if the previous tax year is 2016-17 (or a later tax year) and the tapered annual allowance applied as well for that year, the ‘other inputs’ are tested against the individual’s reduced alternative annual allowance.

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The effect of carry forward

If the individual’s total pension input amount for the tax year is less than their available annual allowance there will be no annual allowance tax charge for that tax year.

If an individual’s total pension input amount is more than their available annual allowance then they will be liable to the annual allowance charge on the amount over their available annual allowance.

For this purpose ‘available annual allowance’ means the annual allowance for the current tax year plus any unused annual allowance that can be carried forward to the current tax year from any of the previous (three or four) tax years. Whether unused annual allowance is carried forward from the previous three, or previous four, tax years depends on which tax year is the current tax year for carry forward purposes (see The carry forward rule – from which previous tax years above).

Tax year 2015-16 is split into two ‘mini’ tax years for annual allowance purposes, the pre and post-alignment tax years.

Where the current tax year is

the post-alignment tax year, and

the individual was a member of a registered pension scheme at any time during the pre-alignment tax year,

‘available annual allowance’ means only any unused annual allowance that can be carried forward to the current tax year from the previous four tax years (i.e. in this circumstance, there is a nil annual allowance for the post-alignment tax year to which any available unused annual allowance is added).

Where an individual has unused annual allowance from a previous tax year that they can use to set off against an annual allowance charge for a current tax year, they do not have to include this on their Self Assessment tax return for the year in which the unused allowance arose or for the year that the unused annual allowance is being used to set off against an annual allowance charge.

Individuals who are subject to the money purchase annual allowance for tax year 2015-16 (as split into two ‘mini’ tax years), or later tax years, might still be liable to an annual allowance charge that must be included in their Self Assessment tax return despite their total pension input amount not exceeding their available annual allowance. This would be the case where the only amount subject to the annual allowance charge is in respect of a ‘money-purchase’ input in excess of the money purchase annual allowance.

Note - when the money purchase annual allowance applies for a current tax year, any unused annual allowance from a previous tax year cannot be added to it. Any unused annual allowance can be added only to the alternative annual allowance.

Example 6

Raj is a self-employed plumber. He has had a good trading year and wants to use part of his profits to increase his pension fund. He intends to make contributions to his pension arrangement (an other money purchase arrangement), which will be counted against the annual allowance for the 2015-16 tax year.

Tax year 2015-16 is split into two ‘mini’ tax years for annual allowance purposes, the pre and post-alignment tax years.

In the previous three tax years (2012-13, 2013-14, 2014-15) Raj made contributions of £40,000, £30,000 and £35,000 to his pension arrangement. These were his total pension input amounts for each respective tax year.

Raj has not used all his annual allowance in the previous three tax years (the annual allowance being £50,000 for each of 2012-13 and 2013-14 tax years and £40,000 for the 2014-15 tax year). He has £35,000 unused annual allowance that he can carry forward, initially, to the pre-alignment tax year.

Raj does not make any contributions during the pre-alignment tax year.

Despite not using any of the £80,000 annual allowance for the ‘mini’ tax year, the amount of unused annual allowance Raj can carry forward from the pre-alignment tax year is capped at £40,000.

For the post-alignment tax year, Raj can carry forward any available unused annual allowance from the previous four tax years, being £10,000 (from 2012-13), £20,000 (2013-14), £5,000 (2014-15) and £40,000 (pre-alignment tax year) or £75,000 in total.

Although Raj has a nil annual allowance for the post-alignment tax year, he can make a contribution of £75,000 during the post-alignment tax year without having to pay the annual allowance charge for tax year 2015-16 overall.

Example 7

Rose is a NHS nurse and her pension scheme will provide a pension of 1/80th final pay for each year of service, plus a lump sum of 3 x her pension. Her level of pay and length of service mean that her pension saving amount is normally between £8,000 and £9,000 each year.

Rose gets promoted to ward sister and as a result gets a £6,000 pay rise. Because of her large pay rise and because this means that her pension is based on this pay for all of her years of service, Rose’s pension saving for the 2012-13 tax year is £55,000. This is more than the £50,000 annual allowance for 2012-13.

As Rose has not used all her annual allowance in the last three tax years she can carry forward her unused annual allowance. Rose has unused annual allowance of over £120,000 to carry forward. This means that Rose does not have any annual allowance charge on her unusually high pension savings of £55,000 for 2012-13.

Example 8

Jimmy has two pension arrangements, a defined benefits arrangement and an other money purchase arrangement.

For the current tax year (2016-17) and the immediately preceding tax year, Jimmy is subject to the money purchase annual allowance.

The immediately preceding tax year was the post-alignment tax year (due to tax year 2015-16 being split into two ‘mini’ tax years for annual allowance purposes, the pre and post-alignment tax years).

Jimmy had an annual allowance charge for the immediately preceding tax year due to the application of the money purchase annual allowance.

The annual allowance is £40,000 for the current tax year.

For each of the previous four tax years, with the immediately preceding tax year first, the annual allowance in Jimmy’s case was nil, £80,000, £40,000 and £50,000.

The alternative annual allowance is £30,000 for the current tax year and nil for the tax year immediately preceding the current tax year.

For the pension input periods ending in each of the previous four tax years (with the immediately preceding tax year first), the contributions for Jimmy’s other money purchase arrangement were £12,000 (all paid after first flexibly accessing his money purchase arrangement), £21,000, £17,000 and £5,000. The pension input amounts for his defined benefits arrangement were £8,000, £7,000, £13,000 and £12,000.

Jimmy has unused annual allowance to carry forward from three of the previous four tax years.

For the immediately preceding tax year (post-alignment tax year), Jimmy has no unused annual allowance to carry forward because Jimmy’s alternative annual allowance for that year is nil.

[Despite a nil alternative annual allowance, Jimmy’s ‘other inputs’ (i.e. the pension input amount for this defined benefits arrangement, being £8,000) did not exceed his available alternative annual allowance for that tax year because of available unused annual allowance he could carry forward from, in the first instance, the pre-alignment tax year.]

There is unused annual allowance for each of the other previous tax years prior to the post-alignment tax year because, for each year, Jimmy’s total pension input amount (i.e. the pension input amount for both his other money purchase and defined benefits arrangement) was less than the annual allowance for each respective year.

For the tax year before the immediately preceding tax year, Jimmy’s total pension input amount was £28,000 (£21,000 + £7,000). His unused annual allowance for this ‘mini’ tax year (i.e. pre-alignment tax year) is £40,000 (£80,000 less £28,000 = £52,000 but unused annual allowance is capped at £40,000). (£8,000 worth of the [capped] £40,000 unused annual allowance gets used up in relation to Jimmy’s ‘other inputs’ of £8,000 for the post-alignment tax year.)

Jimmy’s total pension input amounts for the remaining two previous tax year were, respectively, £30,000 (£17,000 + £13,000) and £17,000 (£5,000 + £12,000). His unused annual allowance for these tax years is £43,000 in total ([£40,000 less £30,000 = £10,000] + [£50,000 less £17,000 = £33,000]).

Overall, Jimmy can carry forward unused annual allowance of £75,000 (£32,000 + £10,000 + £33,000) to the current tax year.

This will give Jimmy an available annual allowance for the current tax year of £115,000 and an available alternative annual allowance of £105,000.

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How available annual allowance is used up - order of previous tax years

Sections 228A(6) & (7) and 228C(8) Finance Act 2004

There is a strict order in which available annual allowance must be used-up.

Position up to tax year 2014-15

The annual allowance for the current tax year is used first.

The unused annual allowance from the previous three tax years is then used, beginning with available unused annual allowance from the earliest tax year first.

Position for tax year 2015-16

Tax year 2015-16 is split into two ‘mini’ tax years for annual allowance purposes, the pre and post-alignment tax years.

Pre-alignment tax year

The annual allowance for the pre-alignment tax year is used first.

The unused annual allowance from the previous three tax years is then used, beginning with available unused annual allowance from the earliest tax year first.

Post-alignment tax year

Ordinarily, there is a nil annual allowance for the post-alignment tax year.

The unused annual allowance from the pre-alignment tax year is used first.

If the amount of any unused annual allowance from the pre-alignment tax year exceeds £40,000, the maximum unused amount that can be carried forward is limited to £40,000.

Then the unused annual allowance from the three years before the pre-alignment tax year is used, beginning with available unused annual allowance from the earliest tax year first.

Where there is not a nil annual allowance for the post-alignment tax year is when the individual was not a member of registered pension scheme at any time during the pre-alignment tax year. Then the annual allowance for the post-alignment tax year is £40,000. Typically this will mean there is no unused annual allowance to carry forward from the pre-alignment tax year and possibly none of the previous three tax years before that.

Position for tax years 2016-17 to 2018-19

The annual allowance for the current tax year is used first.

The unused annual allowance from the previous four tax years is then used, beginning with available unused annual allowance from the earliest tax year first (i.e. any available unused annual allowance from the pre-alignment tax year does not take precedence over the other previous tax years.)

Example 9

Sybille has a total pension input amount of £65,000 for the 2014-15 tax year. The annual allowance for 2014-15 is £40,000.

As the current tax year is 2014-15, Sybille can carry forward available unused annual allowance from the previous three tax years.

In the previous three tax years her pension input amounts were:

2013-14 - £35,000

2012-13 - £30,000

2011-12 - £23,000

The annual allowance for each of those years was £50,000 (for carry forward purposes the annual allowance remains at £50,000 despite the annual allowance for the current tax year being £40,000). Sybille has unused annual allowance from those three tax years of:

2013-14 - £15,000

2012-13 - £20,000

2011-12 - £27,000.

This means Sybille has £62,000 unused annual allowance to carry forward to 2014-15.

Together with the £40,000 annual allowance for the 2014-15 tax year, Sybille can have pension saving of £102,000 without the annual allowance charge being due.

Sybille’s total pension input amount of £65,000 for the 2014-15 tax year is less than her available annual allowance of £102,000. She does not have to pay an annual allowance charge.

Sybille has used up the £40,000 annual allowance for the current tax year and £25,000 worth of the unused annual allowance from three years ago i.e. 2011-12. Although she still has £2,000 unused annual allowance from three years ago she cannot carry this forward to the next tax year.

Next tax year, i.e. the pre-alignment tax year (tax year 2015-16 being split into two ‘mini’ tax years for annual allowance purposes), the £2,000 unused amount from 2011-12 will be from four years ago and so will be out of time and not available (as unused annual allowance from the last three tax years can be can carried forward to the pre-alignment tax year).

Sybille has £35,000 unused annual allowance that she can carry forward to next tax year (the pre-alignment tax year).

Sybille has a total pension input amount of £60,000 for the pre-alignment tax year. (The money purchase annual allowance does not have to be considered as Sybille has not flexibly accessed a money purchase arrangement.)

The annual allowance for the pre-alignment tax year is £80,000.

Sybille’s total pension input amount for the pre-alignment tax year has not exceeded the annual allowance and Sybille has unused annual allowance of £20,000 from the pre-alignment tax year to carry forward together with the unused annual allowance from the three tax years before the pre-alignment tax year (in this case £35,000 in total being £20,000 from 2012-13 and £15,000 from 2013-14 only, as Sybille used all of the annual allowance for 2014-15).

Sybille has a total pension input amount of £15,000 for the post-alignment tax year. (The money purchase annual allowance does not have to be considered as Sybille has not flexibly accessed a money purchase arrangement.)

The annual allowance for the post-alignment tax year in Sybille’s case is nil.

As the current tax year is now the post-alignment tax year, Sybille can carry forward available unused annual allowance from the previous four tax years.

Sybille can carry forward unused annual allowance of £20,000 from the pre-alignment tax year plus the unused annual allowance totaling £35,000 from 2012-13 (£20,000) and 2013-14 (£15,000).

Sybille’s total pension input amount for the post-alignment tax year has not exceeded her available annual allowance for the year (i.e. the available unused annual allowance carried forward from the previous four tax years to the current tax year).

The unused annual allowance from the pre-alignment tax year is used first, leaving a remaining balance of unused annual allowance from the pre-alignment tax year of £5,000 and the unused annual allowance from 2012-13 (£20,000) and 2013-14 (£15,000) untouched. Although she still has £20,000 unused annual allowance from four years ago she cannot carry this forward to the next tax year.

Next tax year, i.e. 2016-17, the £20,000 unused amount from 2012-13 will be from five tax years ago and so will be out of time and not available (as unused annual allowance from the last four tax years can be can carried forward to 2016-17).

Sybille has £20,000 unused annual allowance (£15,000 from 2013-14 and £5,000 from the pre-alignment tax year) that she can carry forward to next tax year (2016-17).

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How available annual allowance is used up - when carry forward used before

Note – in this section the ‘previous tax years’ in relation to a current tax year means either the previous three tax years or previous four tax years. See The carry forward rule – from which previous tax years above for when carry forward is from the previous three or four tax years.

Prior use of carry forward can have a bearing on how unused annual allowance can be carried forward from any one or more of the previous tax years (‘previous tax year set’) to the current tax year if the prior use of carry forward occurred within the previous tax year set.

If one of the previous tax years in the previous tax year set has a total pension input amount of more than the annual allowance for the previous tax year concerned then that excess input amount may have used up any amount of available annual allowance from the preceding year(s) in the previous tax year set first. If so, this will reduce the available annual allowance to be carried forward from the previous tax year set to the current year.

Whether any amount of available annual allowance from the preceding year(s) in the previous tax year set is used up against one of the tax years in the same set that has an input amount of more than the annual allowance (‘excess year’) depends on what available annual allowance was used from the previous tax years before the excess year (i.e. from a different previous tax year set).

For example, in relation to tax year 2013-14, there is unused annual allowance from 2012-13, the annual allowance was exceeded by £15,000 in 2011-12 and there is unused annual allowance of £10,000 for 2010-11. For the previous three tax years before 2011-12, as well as the unused annual allowance of £10,000 for 2010-11, there is also unused annual allowance of £5,000 for each of 2009-10 and 2008-09. This means there is still available unused annual allowance from 2010-11 that can be carried forward to 2013-14 - in this example £5,000 worth can be carried forward. This is despite the unused annual allowance for 2010-11 being less than the excess for 2011-12.

However, the position for the tax years 2008-09, 2009-10 and 2010-11 (where a deemed annual allowance of £50,000 applies for this purpose) is different when the pension input amount is more than £50,000 in 2009-10 and/or 2010-11 and there is available annual allowance from a preceding year(s). PTM055300 has more details.

Example 10

Sam’s total pension input amount for 2014-15 is £42,000. This is £2,000 more than the annual allowance of £40,000. Sam will have an annual allowance charge on £2,000 if she has no available annual allowance to carry forward from the previous three tax years. Her total pension input amounts for those years are:

2013-14 - £54,000 2012-13 - £44,000 2011-12 - £49,000

The annual allowance for each of those years was £50,000 and remains so for carry forward purposes, despite the annual allowance for the current tax year being £40,000.

Sam has £1,000 unused annual allowance from 2011-12 and £6,000 from 2012-13. Sam’s total pension input amount for 2013-14 is more than the annual allowance so she has no available annual allowance to carry forward from that year.

Sam can only carry forward unused annual allowance if it has not been used up by a total pension input amount that is more than the annual allowance in a later tax year.

As Sam’s total pension input amount for 2013-14 is more than the annual allowance of £50,000 for that tax year this might have a bearing on the amount of unused annual allowance she can carry forward to 2014-15 from 2011-12 and/or 2012-13. This will depend on what available annual allowance was used up on Sam’s total pension input amount of £54,000 for 2013-14.

In the previous three tax years before 2013-14 Sam’s total pension input amounts were:

2012-13 - £44,000 2011-12 - £49,000 2010-11 - £48,000

The £4,000 pension input amount that is more than the 2013-14 annual allowance will use up Sam’s available annual allowance from earlier years as follows:

2010-11 - £2,000 2011-12 - £1,000 2012-13 - £1,000

Sam has £5,000 available annual allowance to carry forward to 2014-15. So, in 2014-15 Sam can have a total pension input amount of £45,000 before she has to pay an annual allowance charge. Sam’s actual pension input amount of £42,000 is less than this so she has no annual allowance charge for 2014-15. She also has £3,000 annual allowance available from 2012-13 to carry forward to the pre-alignment tax year (tax year 2015-16 being split into two ‘mini’ tax years for annual allowance purposes, the pre and post-alignment tax years).

Note - if Sam’s total pension input amount for 2010-11 was £50,000 or more (or if Sam was not a member of a registered pension scheme or a non-UK pension scheme, in certain circumstances, at any time during 2010-11) then Sam would have £3,000 available annual allowance to carry forward to 2014-15. So Sam could have a total pension input amount of £43,000 before she has to pay an annual allowance charge and, based on her actual total pension input amount of £42,000 for 2014-15, Sam would have £1,000 annual allowance available from 2012-13 to carry forward to the pre-alignment tax year.

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