

Tapered Annual Allowance Changes

In the Budget 2020 on Wednesday 11 March, the Chancellor announced changes to the Tapered Annual Allowance.

Rishi Sunak announced that the tapered annual allowance limits will be altered. The Threshold and Adjusted Income limits will move from £110,000 and £150,000 respectively to £200,000 and £240,000*.

Further to this the minimum Annual Allowance for those who are fully tapered will reduce from £10,000 to £4,000.

Threshold Income

Threshold income is:

- Taxable income for the tax year **less**
- Any taxable lump sum pension death benefits accruing in the tax year **plus**
- Employment income given up for pension contributions (i.e. salary sacrifice) under an arrangement made on or after 9 July 2015 **less**
- The gross amount of any relief at source pension contributions.
- Money Purchase = value of contributions
- Defined Benefit = Pension Input Amount minus member contributions

Adjusted Income

Adjusted Income is essentially Threshold Income **plus** the value of employer contributions, which are:

If you have Threshold Income below £200,000

Your pension annual allowance will not be restricted by tapering and you have a potential pension annual allowance of £40,000.

Previously, you may have been restricted by the tapered annual allowance and so you should review your pension arrangements and increase your contributions as appropriate.

If you have Threshold Income above £200,000 but Adjusted Income below £240,000

Your pension annual allowance will not be restricted by tapering and you have a potential pension annual allowance of £40,000.

Previously, you may have been restricted by the tapered annual allowance and so you should review your pension arrangements and increase your contributions as appropriate.

If you have Adjusted Income above £240,000 and below £300,000

Your pension annual allowance will be restricted by tapering. Your allowance will reduce by £1 for every £2 that your Adjusted Income exceeds £240,000 down to a pension annual allowance of £10,000.

If you have Adjusted Income between £300,000 and £312,000

Your pension annual allowance will be further restricted by tapering. Your allowance will

reduce by £1 for every £2 that your Adjusted Income exceeds £240,000 down to a pension annual allowance of £4,000.

Previously, the minimum pension annual allowance was £10,000. This means that you should review your pension arrangements and decrease your contributions as appropriate to avoid an Annual Allowance Tax Charge.

If you have Adjusted Income above £312,000

Your pension annual allowance will be completely restricted by tapering and you will have a maximum pension annual allowance of £4,000.

Previously, the minimum pension annual allowance was £10,000. This means that you should review your pension arrangements and decrease your contributions as appropriate to avoid an Annual Allowance Tax Charge.