

## Technical Briefing Note

### Pensions – Carry Forward of Unused Relief

Despite the fact that recent changes to pension legislation have reduced contribution limits, it is still possible for you to invest substantial amounts into your pensions by using the Carry Forward rules.

Lump sum single premiums can be paid up to £160K in tax year 2017/18, for example, providing you have adequate earnings to justify this. At this level you may be able to receive a maximum of 45% tax relief on any personal contributions.

The following case study illustrates how the Carry Forward works:

Nigel's anticipated earnings during 2017/18 are £100K. Nigel is a partner in his consultancy business. His Annual Allowance is £40K and he is not caught by the tapered annual allowance.

Nigel has an existing personal pension arrangement, however no premiums have been paid into this pension over the last five years or so. Nigel has had a particularly good year and wishes to contribute as much as he can into his pension to reduce his 40% income tax rate and increase pension funding.

#### Carry Forward Rules

By using the new Carry Forward rules, Nigel can carry forward an amount of £120K to cover the three tax years from 2014/15 plus a further £40K for the current tax year 2017/18. The table below demonstrates this:

Input year	Input amount	Unused allowance to carry forward	Cumulative carry forward available
2014/15	£0	£40K	£40K
2015/16	£0	£40K	£80K
2016/17	£0	£40K	£120K + 2017/18 limit £40K

We now know that Nigel can carry forward £120K, add to this his annual limit this tax year of £40K, and we arrive at a total of £160K.

### **Pension Input Periods**

As Nigel's earnings are £100K for 2017/18 he should pay a pension contribution of £55K in 2017/18 to make sure he gets 40% tax relief. The balance can be paid in subsequent tax years to get 40% relief on all the contribution (assuming he has the earnings).

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