



# CARRY FORWARD CASE STUDIES



Read our case studies to understand how  
carry forward of unused annual  
allowance works in practice.

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## CASE STUDY 1: **SAM**

### Pension input periods (PIPs) aligned to the tax year before 2015.

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#### About Sam



- Sam has his own limited liability company. In 2017/18, he'll pay himself a salary of **£5,000** and take dividends of **£100,000**.
- He took out a personal pension plan on **01 August 2012** and has been saving **£1,200** per month in employer contributions ever since.
- He has no other retirement savings and wants to make a substantial single contribution before the end of the 2017/18 tax year.

Sam wants to know how much he can contribute without triggering an annual allowance charge. He hasn't triggered the Money Purchase Annual Allowance (MPAA) and the tapered reduction of annual allowance for people with high income doesn't apply.

#### How much can Sam carry forward?

As Sam's plan started after 06 April 2011, the first PIP ran from the date the first contribution was made (01 August 2012) to 05 April 2013 and matched the tax year from then on.



FIRST PENSION INPUT PERIOD



**£80,400**

The table below shows the different PIPs and whether or not carry forward applies. The carry forward from PIPs 1 and 2 isn't available as they ended more than three tax years before the current PIP. The carry forward from PIPs 3 to 6 amounts to **£80,400**.

	ENDING IN TAX YEAR	ANNUAL ALLOWANCE	TOTAL CONTRIBUTIONS	CARRY FORWARD AVAILABLE	CARRY FORWARD USED	CARRY FORWARD REMAINING
PIP 1 01 August 2012 - 05 April 2013	2012/13	£50,000	£10,800	£39,200	£0	£39,200
PIP 2 06 April 2013 - 05 April 2014	2013/14	£50,000	£14,400	£35,600	£0	£35,600
PIP 3 06 April 2014 - 05 April 2015	2014/15	£40,000	£14,400	£25,600	£0	£25,600
PIP 4 06 April 2015 - 08 July 2015	2015/16	£80,000	£3,600	£40,000 (for use in PIP 5)	N/A	N/A
PIP 5* 09 July 2015 - 05 April 2016	2015/16	£40,000	£10,800	£29,200	£0	£29,200
PIP 6 06 April 2016 - 05 April 2017	2016/17	£40,000	£14,400	£25,600	£0	£25,600
PIP 7 06 April 2017 - 05 April 2018	2017/18	£40,000	£14,400**	£25,600	£0	£25,600
<b>Total</b>						<b>£106,000</b>

Assuming the monthly contributions of £1,200 are made throughout 2017/18, this means that further contributions of up to **£106,000** can be made in 2017/18 without an annual allowance charge applying.

An employer's contribution up to this amount can be made. This would receive corporation tax relief if the 'wholly and exclusively' conditions are met. However, tax-relievable member contributions will be limited to £5,000 gross (100% of Sam's salary).

\* PIP 4 (the pre-alignment PIP) has an annual allowance of £80,000. If contributions are less than this, the excess can be used in PIP 5 (the post-alignment PIP), capped at £40,000.

\*\* This assumes that the regular contributions continue to the end of the tax year.

## CASE STUDY 2: **AMY**

### PIPs not aligned with the tax year before 2015.

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#### About Amy



- Amy is the Finance Director of a large manufacturing company earning **£108,000** in the 2017/18 tax year.
- Her employer has been making single contributions into a group personal pension plan for her since 01 May 2010. She hasn't been contributing herself and doesn't have any other retirement savings.
- She wants to make a substantial single contribution before the end of the 2017/18 tax year.

Amy wants to know how much she can contribute without triggering an annual allowance charge. She hasn't triggered the Money Purchase Annual Allowance and the tapered reduction of annual allowance for people with high income doesn't apply.

#### How much can Amy carry forward?

As Amy's plan started before 06 April 2011, the first PIP ran from the date the first contribution was made (01 May 2010) to 01 May 2011.



#### FIRST PENSION INPUT PERIOD

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Later PIPs all run from 02 May until 01 May each year until 08 July 2015 when all PIPs were aligned with the tax year.



The tax year the PIP ends in determines which tax year's annual allowance applies. The figures below are the total employer contributions in each of the PIPs.

	ENDING IN TAX YEAR	ANNUAL ALLOWANCE	TOTAL CONTRIBUTIONS	CARRY FORWARD AVAILABLE	CARRY FORWARD USED	CARRY FORWARD REMAINING
<b>PIP 1</b> 02 May 2012 - 01 May 2013	2013/14	£50,000	£18,000	£32,000	£0	£32,000
<b>PIP 2</b> 02 May 2013 - 01 May 2015	2014/15	£40,000	£18,800	£21,200	£0	£21,200
<b>PIP 3</b> 02 May 2014 - 01 May 2015	2015/16	£80,000 (for PIPs 3 & 4)	£19,800	N/A	£0	N/A
<b>PIP 4</b> 02 May 2015 - 08 July 2015	2015/16	£80,000 (for PIPs 3 & 4)	£3,440	£40,000 (for use in PIP 5)	N/A	N/A
<b>PIP 5*</b> 08 July 2015 - 05 April 2016	2015/16	£40,000	£17,200	£22,800	£0	<b>£22,800</b>
<b>PIP 6</b> 06 April 2016 - 05 April 2017	2016/17	£40,000	£21,600	£18,400	£0	<b>£18,400</b>
<b>PIP 7</b> 06 April 2017 - 05 April 2018	2017/18	£40,000	£22,200	£17,800	£0	<b>£17,800</b>
					<b>Total</b>	<b>£80,200</b>

The carry forward from PIP 1 isn't available as it ended more than three tax years before the current PIP. For the 2017/18 PIP, carry forward can be used from PIPs ending as far back as the 2014/15 tax year, including the annual allowance of **£40,000** for 2017/18.

This means that Amy can make a single contribution of **£80,200** before the end of the 2017/18 tax year, without an annual allowance charge applying. This is within her earnings for the tax year and if she makes this contribution personally, it will also be eligible for tax relief.

\* PIPs 3 & 4 (the pre-alignment PIPs) have a combined annual allowance of £80,000. If contributions are less than this, the excess can be used in PIP 5 (the post-alignment PIP), capped at £40,000.

## CASE STUDY 3: BRIAN

PIPs not aligned with the tax year before 2015 and carry forward previously used.

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### About Brian



- Brian is a partner in an accountancy firm and will earn **£110,000** in the 2017/18 tax year.
- He's been making occasional single contributions into a personal pension plan since 01 June 2009.
- He's never been a member of any other pension scheme and now wants to make a substantial single contribution before the end of the 2017/18 tax year.

Brian wants to know how much he can contribute without triggering an annual allowance charge. He hasn't triggered the Money Purchase Annual Allowance and the tapered reduction of annual allowance for people with high income doesn't apply.

### How much can Brian carry forward?

As Brian's plan started before 06 April 2011, the first PIP ran from the date the first contribution was made (01 June 2009) to 01 June 2010.



#### FIRST PENSION INPUT PERIOD

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Later PIPs all run from 02 June until 01 June each year until 08 July 2015 when all PIPs were aligned with the tax year.



The tax year the PIP ends in determines which tax year's annual allowance applies. The figures below are the total contributions he made in each of the PIPs.

	ENDING IN TAX YEAR	ANNUAL ALLOWANCE	TOTAL CONTRIBUTIONS	CARRY FORWARD AVAILABLE	CARRY FORWARD USED	CARRY FORWARD REMAINING
<b>PIP 1</b> 01 June 2009 - 01 June 2010	2010/11	£50,000*	£10,000	£40,000	£0	£40,000
<b>PIP 2</b> 02 June 2010 - 1 June 2011	2011/12	£50,000	£50,000	£0	£0	£0
<b>PIP 3</b> 02 June 2011 - 01 June 2012	2012/13	£50,000	£15,000	£35,000	£0	£35,000
<b>PIP 4</b> 02 June 2012 - 01 June 2013	2013/14	£50,000	£50,000	£75,000	£0	£75,000
<b>PIP 5*</b> 02 June 2013 - 01 June 2014	2014/15	£40,000	£115,000	£75,000	£75,000	£0
<b>PIP 6</b> 02 June 2014 - 01 June 2015	2015/16	£80,000 (for PIPs 6 & 7)	£50,000	N/A	N/A	N/A
<b>PIP 7</b> 02 June 2015 - 08 July 2015	2015/16	£80,000 (for PIPs 6 & 7)	£10,000	£20,000 (for use in PIP 8)	N/A	N/A
<b>PIP 8**</b> 09 July 2015 - 05 April 2016	2015/16	£20,000	£10,000	£10,000	£0	£10,000
<b>PIP 9</b> 06 April 2016 - 05 April 2017	2016/17	£40,000	£30,000	£10,000	£0	£10,000
<b>PIP 10</b> 06 April 2017 - 05 April 2018	2017/18	£40,000	£25,000	£15,000	£0	£15,000
					<b>Total</b>	<b>£35,000</b>

For the 2017/18 PIP, carry forward can be used from PIPs ending as far back as 2014/15. In the PIP ending in 2014/15, £115,000 was contributed; £75,000 over the annual allowance of £40,000 at that time.

So a charge wasn't incurred, but there's no unused annual allowance available from the PIP ending in 2014/15 that can be carried forward.

After paying the £25,000 contribution in 2017/18, a single contribution of **£35,000** can be made by Brian before the end of the 2017/18 tax year without an annual allowance charge applying. This is also within his earnings for the tax year and would be eligible for tax relief.

\*The actual annual allowance for 2010/11 was £255,000 but for carry forward purposes, £50,000 is used.

\*\* PIPs 6 & 7 (the pre-alignment PIPs) have a combined annual allowance of £80,000. If contributions are less than this, the excess can be used in PIP 8 (the post-alignment PIP), capped at £40,000.

## **CARRY FORWARD TEMPLATE**

Here are some things you need to consider when working out if carry forward applies to your clients.

### **For 2017/18**

- The PIP for 2017/18 is aligned to the tax year.
- What level of contributions has already been made this tax year?
- Personal contributions need to be supported by sufficient earnings in the tax year.
- Does the tapered annual allowance apply?

### **For 2016/17**

- The PIP for 2016/17 was aligned to the tax year.
- How much was contributed in this tax year?
- Did the tapered annual allowance apply?

### **For 2015/16**

- What was contributed in the PIP or PIPs that end in the period 06 April 2015 to 08 July 2015? This is the pre-alignment period.
- What was contributed in the PIP between 09 July 2015 and 05 April 2016? This is the post-alignment period.
- Remember that the annual allowance in the pre-alignment period was £80,000. A maximum of £40,000 unused annual allowance in this period can be used in the post-alignment period.

### **For 2014/15**

- What was the start and end dates for the PIP ending in the 2014/15 tax year?
- How much was contributed in that period?



	PENSION INPUT PERIOD	ENDING IN TAX YEAR	ANNUAL ALLOWANCE	TOTAL CONTRIBUTIONS TO THE PLAN	CARRY FORWARD AVAILABLE	CARRY FORWARD USED	CARRY FORWARD REMAINING
	PIP						
	PIP						
	PIP						
	PIP						
	PIP						
	PIP						
	PIP						
	PIP						
	PIP						
	PIP						
	PIP						
						<b>TOTAL</b>	

If the Money Purchase Annual Allowance applies, it's not possible to carry forward unused annual allowance to a Defined Contribution (DC) plan. DC contributions must be limited to £4,000 to avoid an annual allowance tax charge.



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