

Guide to Pension Carry Forward

The pension annual allowance (how much money you and your employer can save into your pension) can be restricted in some circumstances.

However, 'Pension Carry Forward' is a rule that allows some people to take advantage of any unused annual allowance from the previous three tax years.



The Basics

If you haven't used your full annual pension allowance in any of the last three tax years, the carry forward rule allows you to make up for that and contribute up to an additional £120,000 in the current tax year, after using your £40,000 allowance. If you're an Additional Rate tax-payer, this could secure you up to an extra £54,000 tax relief.

However, there are some restrictions. To qualify for carry forward, you must also:

- Have had a pension in each of the years from which you are carrying forward, even if you haven't contributed to it (the State Pension doesn't count);
- You must have contributed the maximum £40,000 allowance in the current tax year, before being able to carry forward any unused allowance from the previous three tax years.
- Have earnings of at least the amount you are contributing. For instance, to make a contribution of £120,000 and receive up to £54,000 tax relief you must have earnings of at least £120,000 this tax year.

This information is based on our current understanding of the rules for the 2020-21 tax year.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

The value of investments and any income from them can go down as well as up and you may not get back the original amount invested.



What's the maximum you can carry forward?

Tax Year	Annual Allowance
2017/2018	£40,000 ¹
2018/2019	£40,000 ¹
2019/2020	£40,000 ¹

The amount you can carry forward depends on how much unused annual allowance you have in each of the last three tax years. You must include your own pension contributions, any made by your employer and the value of any benefits built up in a defined benefit (e.g. final salary) scheme.



An Example

	Annual Allowance	Your total contributions	What you can carry forward
2017/2018	£40,000 ¹	£5,000	£35,000
2018/2019	£40,000 ¹	£40,000	£0
2019/2020	£40,000 ¹	£20,000	£20,000
What you can carry forward (and contribute in addition to your current annual allowance)			£55,000

¹ Can be lower if your adjusted income was over £240,000 and your threshold income was above £200,000. If this applies, the annual allowance is reduced by £1 for every £2 over £240,000 in adjusted income.