

PENSION ANNUAL ALLOWANCE CHANGES 2015-16 - OPPORTUNITY FOR FURTHER CONTRIBUTIONS

In his Summer 2015 Emergency Budget speech, George Osborne announced that they will cut the annual allowance for those earning over £150,000 from £40,000 per year to £10,000, using a sliding scale.

As a transitional arrangement HMRC also said it will grant anyone who has already contributed **up to £40,000** in the current tax year (between 6 April 2015 and 8 July 2015), a **further annual allowance of £40,000 between 9 July 2015 and 5 April 2016**.

Your remaining allowance depends on the total value of contributions already made:

- Less than £40,000 - your current remaining allowance is £40,000 (up to 5 April 2016)
- £40,000 - your current remaining allowance is £40,000
- Over £80,000 - you have no remaining allowance to 5 April 2016. The amount over £80,000 will be an annual allowance excess.

The HMRC Technical note, which was issued on 8 July 2015 states "Everyone will have a total annual allowance of £80,000 for 2015-16, plus any carry forward. Individuals will then have an allowance of up to £40,000 for post-Budget savings plus remaining carry forward from 2011-12, 2012-13 or 2013-14"

GOING FORWARD

From April 2016, high earners with adjusted annual income of over £150,000 will be subject to a taper mechanism which will be applied to the Annual Allowance.

For every £2 of adjusted income over £150,000, an individual's Annual Allowance will be reduced by £1, down to a minimum of £10,000.

