SCOTTISH WIDOWS

How is my pension affected by tax?

Pensions can be very tax-efficient.
Read on to see how.

What is tax relief?

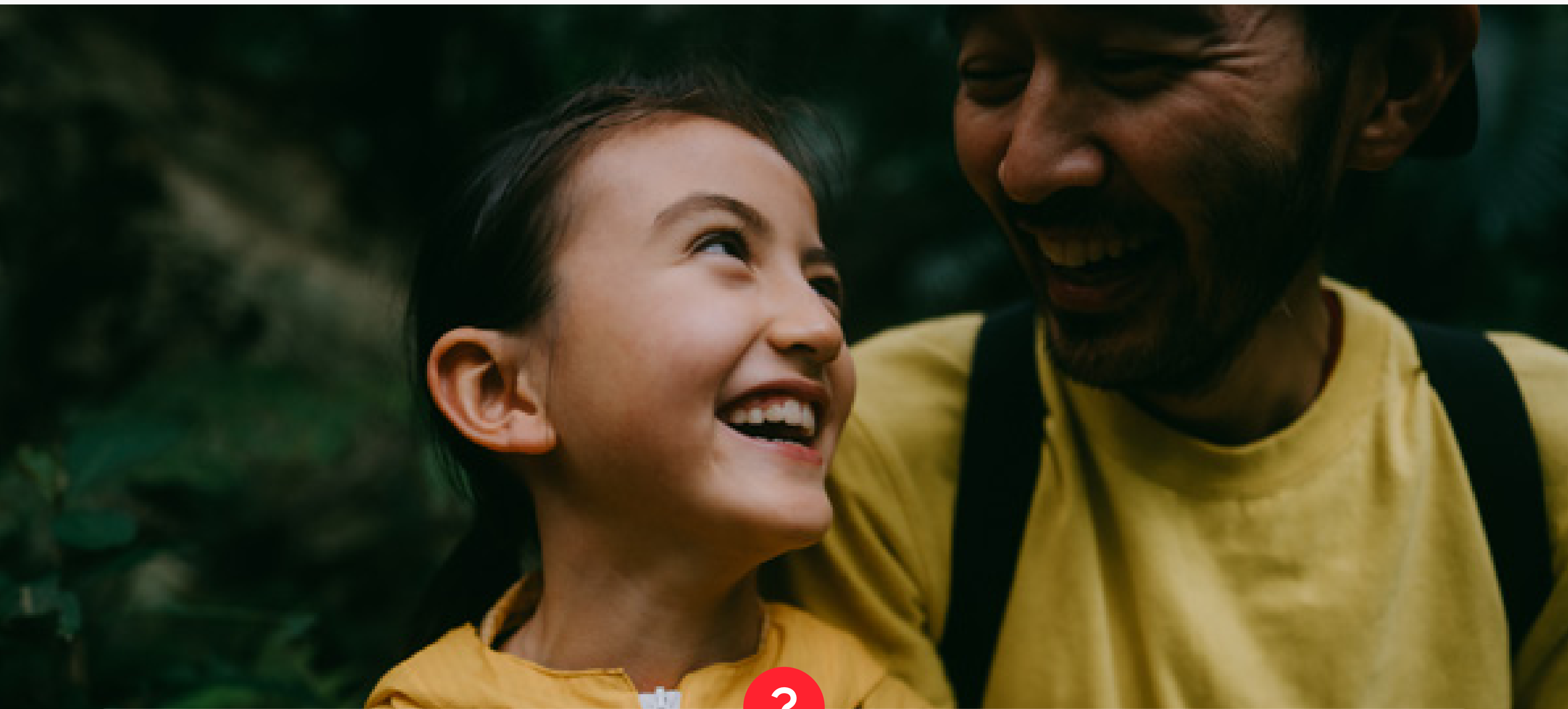
Pensions are a tax-efficient form of investment due to the tax relief your contributions receive from HMRC and can't be taxed while they're invested in your workplace pension.

Tax relief is available at the rates shown in the table below and is given on a sliding scale. This is known as your marginal rate.

Tax Rate	UK Tax Rate	Scottish Tax Rate	Welsh Tax Rate
Starter	–	19%	–
Basic	20%	20%	20%
Intermediate	–	21%	–
Higher	40%	42%	40%
Additional	45%	–	45%
Advanced	–	45%	–
Top	–	48%	–

Things to keep in mind

- In 2024/25, you'll get tax relief on your own contributions of up to 100% of your earnings. Or on contributions of up to £2,880 (with tax relief topping this up to £3,600), even if you have very low or no earnings.
- The annual allowance limits contributions made by you or on your behalf (for example by your employer). Total contributions over this limit will be added to your other income and subject to a tax charge of at least 20%, or the income tax rate(s) that apply to you if higher.
- In 2024/25, the annual allowance is £60,000.
- In 2024/25, The tapered annual allowance applies to those with both 'adjusted income' of more than £260,000 and 'threshold income' of more than £200,000. Adjusted income includes taxable income plus employer pension contributions and employee contributions made by net pay arrangements. Threshold income includes taxable income plus any post 8 July 2015 new salary sacrifice but deducts any relief at source member pension contributions.
- Where adjusted income and threshold income exceed the respective thresholds, the taxpayer's annual allowance is reduced by £1 for every £2 of adjusted income in excess of £260,000. The maximum reduction is £50,000, resulting in an annual allowance of £10,000. The level of adjusted income at which the maximum reduction in the annual allowance is reached is £360,000.
- With both the annual and tapered annual allowance, you can carry forward unused annual allowances from the three previous tax years, as long as you were a pension scheme member during those years.
- If you've taken flexible pension income, the £10,000 money purchase annual allowance will apply to you in 2024/25. Carry forward is not available.



What does this mean for you?

We know that when it comes to your workplace pension, the tax ins and outs can seem intimidating. Simply put, receiving tax relief on your pension means that some of your income that would have gone to the government as tax, goes into your pension instead. How much you pay in is up to you, but it's important to remember that there are limits on how much you can pay in each year without being subject to additional tax charges.

Does the current Lump sum and death benefit Allowance apply to me?

When you take your savings from your pension, you'll usually be entitled to a tax-free lump sum while what's left will be taxable. The amount of tax-free cash you can take is capped at 25% of the Lump Sum and Death Benefit Allowance (LSDBA).

Some key points to consider are:

- it applies each time you take benefits from a pension
- the LSDBA for 2024/25 is £1,073,100
- the Lump Sum Allowance limit on tax free cash taken in your lifetime is £268,275
- the State Pension is excluded from the LSDBA.

Where can I find out more?

Our Pension FAQs

Better understand pension tax relief and allowances with our expert guidance.

Go online >

www.scottishwidows.co.uk/gpp/

What is Tax Relief?

Watch our short Expert Session film to see how tax relief works.

Watch film >

https://youtu.be/aHlpxm8lr0E

MoneyHelper Service

Free and impartial guidance on money matters.

Visit website >

www.moneyhelper.org.uk

Pensions are a long-term investment. The retirement benefits you receive from your pension plan will depend on a number of factors including the value of your plan when you decide to take your benefits which isn't guaranteed, and can go down as well as up. The value of your plan could fall below the amount(s) paid in. The tax treatment of your plan depends on your individual circumstances. Your circumstances and tax rules may change.

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