

## 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
<b>Starter</b>	-	19%	-
<b>Basic</b>	20%	20%	20%
<b>Intermediate</b>	-	21%	-
<b>Higher</b>	40%	42%	40%
<b>Additional</b>	45%	-	45%
<b>Advanced</b>	-	45%	-
<b>Top</b>	-	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.