

TWO WAYS TO CLAIM HIGHER RATES OF TAX RELIEF

One of the biggest attractions of using a personal pension scheme to save for retirement is the generous tax relief given on contributions. Tax relief is essentially a top up paid by the government as an incentive to save for later life.

Basic-rate tax relief is automatically added to the amount you pay in (which works out as a 25% top-up), and this is paid directly into the pension fund. If you pay a higher rate of tax you may be able to claim more. The amount of additional tax relief you get will depend on how much tax you pay at a higher rate. Generally the greater your income (and the more tax you pay at a higher rate), the more tax relief you'll be able to claim.

If you want to claim higher-rate tax relief, or are a Scottish taxpayer looking to claim further tax relief, you can do so through your self-assessment tax return or by calling or writing to HMRC. If you live in England, Wales or Northern Ireland and you want to claim additional-rate tax relief you can only do this through your self-assessment tax return.

1 Complete the relevant section of your self assessment tax form

If you choose to claim your additional tax relief this way, you may receive relief as a rebate at the end of the tax year, or a reduction in your tax liability by an alteration to your tax code.

You should state the amount you have contributed to your personal, stakeholder or self invested personal pension. Make sure you enter the gross contribution (the amount you have paid in yourself, plus basic-rate tax relief); please note you should not include your employer's contributions.

Not entering the gross contribution is one of the most common mistakes people make on their tax returns. Unfortunately it can be an expensive mistake, as entering the wrong figure can mean not getting all the tax relief you're entitled to. You can find the gross amount you have paid into your pension during the tax year on your annual pension statement.

2 Write to your tax office

If you'd rather not wait until you complete your self assessment tax form, you can claim back tax relief above the basic rate by writing to your tax office, and getting your tax code adjusted. This letter should tell HM Revenue and Customs how much you've paid into your pension and provide personal details which enable you to receive the tax relief once it becomes available. It can be submitted to your tax office at any time during the tax year. If you pay tax through Pay As You Earn (PAYE) you will normally receive your tax relief through an adjustment to your tax code, rather than a cheque or bank transfer.

There's a letter template on the next page which you could use. You can usually find the address of your tax office on your P60 or pay slip. If you are unsure where your tax office is, you should speak to your payroll department. If you're likely to make single contributions, or change your level of contributions, in the tax year it might be easier to use your self assessment tax form.

You'll need to complete and submit a new letter every time you alter your pension contributions, when your salary changes if you pay a percentage of your salary into your pension, or if you switch to salary sacrifice, otherwise you may receive too little or too much tax relief.

CLAIMING ADDITIONAL RELIEF FOR PREVIOUS YEARS

If you've made pension contributions which would have entitled you to additional relief in previous tax years, but have not yet claimed it, then it may still be possible to claim this. The deadline is four tax years after the end of the tax year for which you're claiming. For example the deadline for claiming tax relief in respect of 2023/24 is 5 April 2028.

You should write to your tax office and make sure you include the tax year to which it relates, that you are claiming for tax relief above the basic rate on personal pension contributions, the tax you have paid for that tax year, details of the bank account into which you would like to receive any payment due and your signature.

IMPORTANT INFORMATION

We've written this guide to give you useful information about reclaiming higher rates of UK tax. It is not personal advice and you should not make any decisions based on this information alone. If you're unsure, seek advice. Remember tax rules can change and depend on your personal circumstances. Information correct as at 6 April 2023.

Your Address:

Tax Office Address:

Date: / /

Dear Sir/Madam

I hereby claim higher-rate tax relief in respect of contributions made to personal pension plans.

Please find the information required listed below:

Claim for year 6 April to 5 April NI Number:

Gross annual pension contributions: £

My personal monthly contributions will continue at: £ gross per month.

Yours faithfully,

Full Name: _____

Signed: _____

Date: / /
