

HARGREAVES  
LANSDOWN

# PENSION TAX RELIEF

## **IMPORTANT INFORMATION**

We've written this guide to give you useful information about pensions and tax relief, but it's not personal advice. If you're not sure what's right for your situation, please ask for personal advice.

Once money is paid into a pension you can't usually take it out again until age 55 (57 from 2028). Pension and tax rules can change, and any benefits depend on your circumstances.

If you choose to invest, remember that investments can go down as well as up in value. You could get back less than you put in. You should consider any pension offered by an employer first.

The information in this guide was correct as at 16 March 2023, and unless noted, all figures apply to the 2023/24 tax year.

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# WHAT IS PENSION TAX RELIEF?

A helping hand from the government.

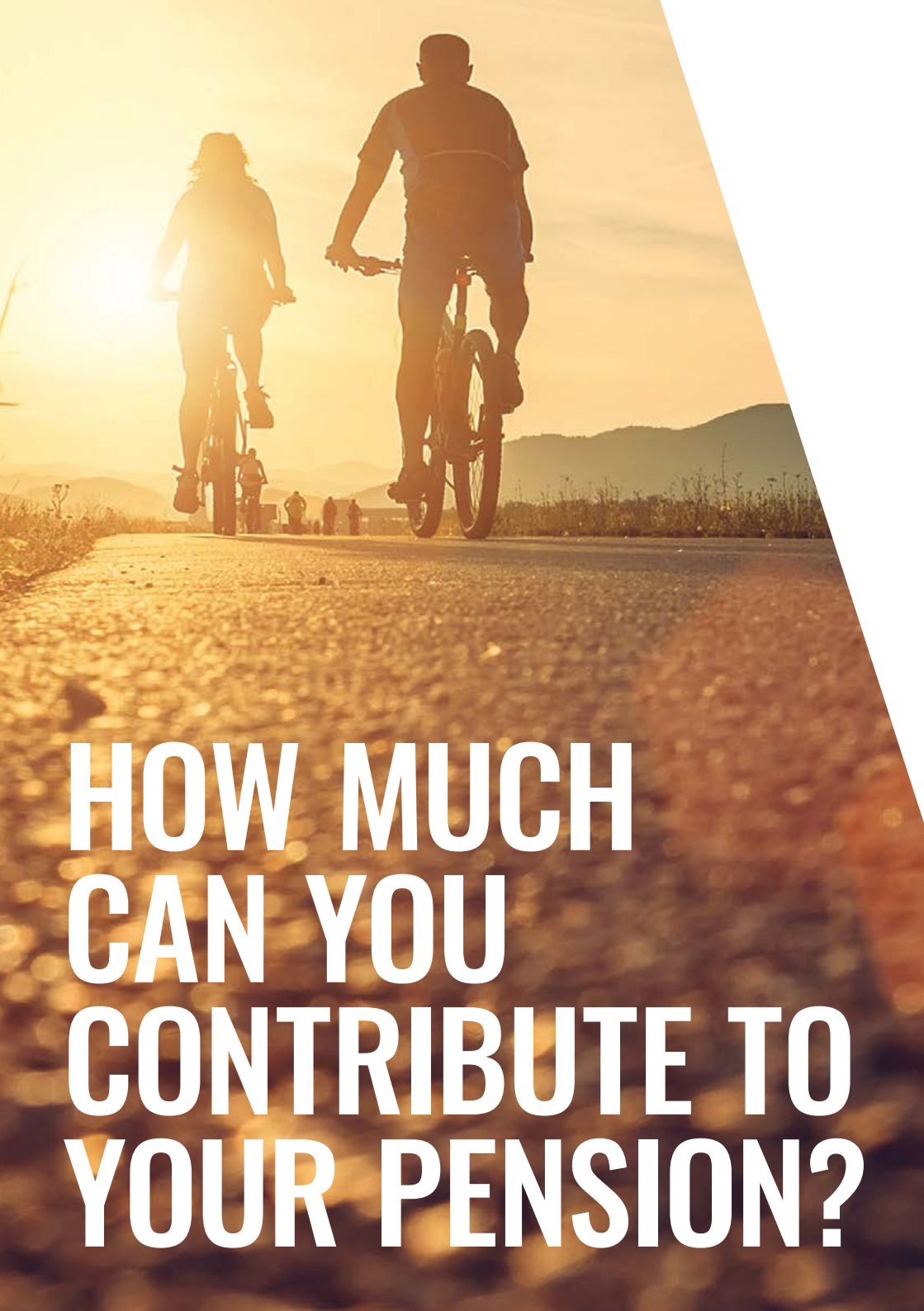
Whenever you make a contribution to your pension, the government adds money too. This is called tax relief and it's one of the main advantages of using a pension to save for your retirement.

You qualify for tax relief if you're a UK resident under 75. It doesn't matter if you're not earning or paying tax. You'll still receive some tax relief.

The government will add basic-rate (currently 20%) tax relief when you contribute into a pension. For instance, to contribute £10,000, you put £8,000 into your pension and the government adds £2,000. Your pension provider claims the extra government money for you and adds it to your pension automatically, so there's no work involved.



This guide is about pension tax relief in personal pensions. If you'd like to learn more about how pension tax relief works with workplace or other pensions, visit the [HMRC](#) website.



**HOW MUCH  
CAN YOU  
CONTRIBUTE TO  
YOUR PENSION?**

# Make the most of your pension allowance.

Generally you can add as much as you earn each tax year to your pension and receive tax relief. If you don't have any earnings, or you earn less than £3,600 a year, you can still contribute £3,600.

The tax relief counts towards your total contribution, so you need to factor this in to the allowance. For example, to make a £30,000 contribution, you only need to add £24,000, because the government will be paying in £6,000 in tax relief.

## **PENSION ANNUAL ALLOWANCE**

There's also an annual allowance which caps the amount that can be paid into your pension without a tax charge. This is £60,000 for most people, but it might be lower if you're a high earner or have accessed your pension already.

**YOUR CONTRIBUTION LIMITS** →

## **HOW TO PAY INTO A PENSION**

You can make the most of this benefit and your allowances by paying into a personal pension. You should always consider paying into the pension provided by your employer first. They may match your contributions.

If you don't have a personal pension, but you'd like to set one up, you could consider starting an HL SIPP.

The HL SIPP is an easy to manage pension that puts you in control. You can choose your own investments, track how it's doing online at any time, and make changes whenever you like. It's easy to get started, you can open an account online in minutes.

**MORE ABOUT THE HL SIPP** →



# HOW MUCH TAX RELIEF WILL YOU GET?

The amount of tax relief you'll get depends on your income tax rate and how much money you add to your pension.

## **EXTRA TAX RELIEF FOR HIGHER TAX PAYERS**

All UK residents under 75 will receive basic-rate tax relief on money they add to their pension. But if you pay tax at a higher rate, you could get extra tax relief on top of the basic amount.

Remember that pension tax rules can change and their benefits depend on your circumstances.

## **HIGHER-RATE TAXPAYERS (CURRENTLY 40%)**

If you're a higher-rate taxpayer, you can claim up to a further 20% through your tax return. That's in addition to the basic rate tax relief you receive automatically. So a £10,000 pension contribution could effectively cost you as little as £6,000.

## **ADDITIONAL-RATE TAXPAYERS (CURRENTLY 45%)**

If you're an additional-rate taxpayer, on top of the basic-rate tax relief you receive automatically, you can claim back up to a

further 25% through your tax return. So a £10,000 pension contribution could effectively cost you as little as £5,500.

## **SCOTTISH TAXPAYERS**

If you're a Scottish taxpayer and earn between £25,297 and £43,662, you should get tax relief of up to 21%. But this extra 1% won't be added automatically. You'll need to complete a tax return or write to your local tax office.

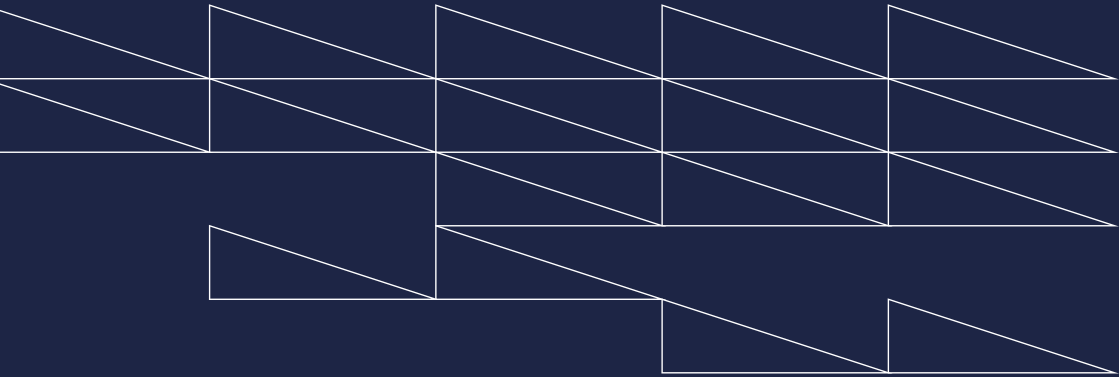
If you're a higher-rate Scottish taxpayer you can claim back up to a further 22% and additional-rate taxpayers can claim up to an extra 27%.

[MORE ON SCOTTISH TAX](#) →

## **CALCULATE YOUR PENSION TAX RELIEF**

Use our tax relief calculator to see how much you could receive in pension tax relief, based on your contributions.

[TRY CALCULATOR](#) →



**200%**  
basic rate  
tax relief



# HOW TO CLAIM PENSION TAX RELIEF

It's a straightforward system.

When you have a self-invested personal pension or other personal pension, your pension provider automatically claims basic rate tax relief (20%) for you. It gets added to your pension after every contribution.

If you pay tax at a higher rate, it's straightforward to claim back further tax relief. If you already complete a self-assessment tax return you can confirm your pension contributions on this. Alternatively, you can write to your local tax office to claim the extra tax relief.

## **CLAIMING BACK TAX RELIEF FROM PREVIOUS YEARS**

Many of those who pay tax at a higher rate forget to claim their extra tax relief, and miss out on millions of extra savings for their pensions. If that's you, there's good news.

You can write to your local tax office up to four years after the end of the tax year in which you made your contribution and reclaim your extra tax relief.

# PENSION TAX RELIEF EXAMPLES



**RUPERT, 57**

## CHILDREN AND NON-TAXPAYERS

0% tax = 20% relief

### MAXIMUM CONTRIBUTION:

Up to as much as you earn,  
or £3,600 if higher.

'Every year I contribute £3,600 to my wife's and grandchildren's SIPPs. I pay £2,880 and £720 tax relief is automatically added even though they don't pay tax.'

You pay	Government adds	Total in your SIPP
£400	£100	£500
£1,200	£300	£1,500
£2,880	£720	£3,600



**EMMA, 43**

## HIGHER-RATE TAXPAYERS

40% tax = up to 40% relief

### MAXIMUM CONTRIBUTION:

Up to as much as you earn,  
but see page 13 for other  
factors to consider.

'This year I'm contributing £20,000 to my SIPP. It's only going to cost me £12,000 with higher-rate tax relief.'

You pay	Government adds	Total in your SIPP	Claim back up to an extra*	Effective cost as little as*
£8,000	£2,000	£10,000	£2,000	£6,000
£16,000	£4,000	£20,000	£4,000	£12,000
£32,000	£8,000	£40,000	£8,000	£24,000

\* Must pay enough tax at the 40% rate to claim the full amount.



**CHARLES, 28**

**BASIC-RATE TAXPAYERS**

20% tax = 20% relief

**MAXIMUM CONTRIBUTION:**

Up to as much as you earn but other factors to consider.

'Retirement is a long way away, but every year I try to pay in at least £4,000. £1,000 tax relief is then automatically added.'

You pay	Government adds	Total in your SIPP
£1,600	£400	£2,000
£4,000	£1,000	£5,000
£8,000	£2,000	£10,000



**STEPHEN, 51**

**ADDITIONAL-RATE TAXPAYERS**

45% tax = up to 45% relief

**MAXIMUM CONTRIBUTION:**

Up to as much as you earn, but see page 13 for other factors to consider.

'I'm investing as much as I can this year by carrying forward unused allowance.'

You pay	Government adds	Total in your SIPP	Claim back up to an extra*	Effective cost as little as*
£8,000	£2,000	£10,000	£2,500	£5,500
£16,000	£4,000	£20,000	£5,000	£11,000
£104,000	£26,000	£130,000**	£32,500	£71,500

\* Must pay enough tax at the 45% rate to claim the full amount.

\*\* Unused annual allowance from previous years will need to be carried forward – see page 12.

## THE CARRY FORWARD RULE

If you haven't used your full annual allowance from previous years, you might be able to carry it forward and use it in the current tax year.

This could mean you can make a very large contribution, up to £180,000 in some cases. But remember any personal contributions must not be higher than your earnings in the tax year you make the contribution in order to get tax relief.

## EXAMPLES:

Tax year	Annual allowance	Total contributions	Unused allowance available for carry forward
2020/21	£40,000	£5,000	£35,000
2021/22	£40,000	£15,000	£25,000
2022/23	£40,000	£40,000	£0
<b>VALUE TO CARRY FORWARD</b>			<b>£60,000</b>

The tapered annual allowance could have applied for the 20/21, 21/22 and 22/23 tax years meaning your annual allowance might have been less than £40,000 in those years.

[MORE ON CARRY FORWARD →](#)



# OTHER SITUATIONS

## Some exceptions to the rules.

In some cases there may be different annual limits to the amount you can add to your pension.

### **YOUR ADJUSTED INCOME IS OVER £260,000 THIS TAX YEAR**

Broadly speaking, your adjusted income is your total taxable income. This includes your salary, dividends from your investments, rental income from property, interest on savings, and the pension contributions your employer makes.

If this amount is over £260,000 in the current tax year, for every £2 over, your annual allowance may fall by £1 subject to a minimum annual allowance of £10,000. That means if your adjusted income is £360,000 or above, you can only add £10,000 to your pension each year.

If these rules mean your annual allowance for the current year is reduced, you could still make use of carry forward.

### **YOU'VE ALREADY TAKEN MONEY FROM YOUR PENSION**

You may be subject to the money purchase annual allowance of £10,000. It could apply if you've dipped into your pension since 6 April 2015 (including if you had flexible drawdown already or if you moved from capped drawdown to flexible drawdown and then took income).

**MORE ON PENSION ALLOWANCES**



# ABOUT US

We're Hargreaves Lansdown – a secure, FTSE-listed company helping UK savers and investors for nearly 40 years.

Our clients like our wide investment choice, and how easy it is to manage their SIPP online and with our mobile app. Our Pensions Helpdesk is here six days a week to help.

**The HL Self-Invested Personal Pension (SIPP)** is a modern pension that puts you in the driving seat. If you decide to go ahead, you can open it in minutes online and choose investments that match your values and goals.

**DISCOVER THE HL SIPP** →

The SIPP is for people who are happy to choose their own investments, get advice if you're not sure. You usually need to be at least 55 (rising to 57 from 2028) before you can access the money saved in a pension.



## HOW TO GET IN TOUCH

**0117 980 9926**

[sipp@hl.co.uk](mailto:sipp@hl.co.uk)

Hargreaves Lansdown  
One College Square South  
Anchor Road  
Bristol BS1 5HL







Hargreaves Lansdown  
One College Square South  
Anchor Road Bristol BS1 5HL

0117 980 9926  
info@hl.co.uk  
www.hl.co.uk