

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 6 April 2025, and unless noted, all figures apply to the 2025/26 tax year.

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WHAT IS PENSION TAX RELIEF?

A helping hand from the government.

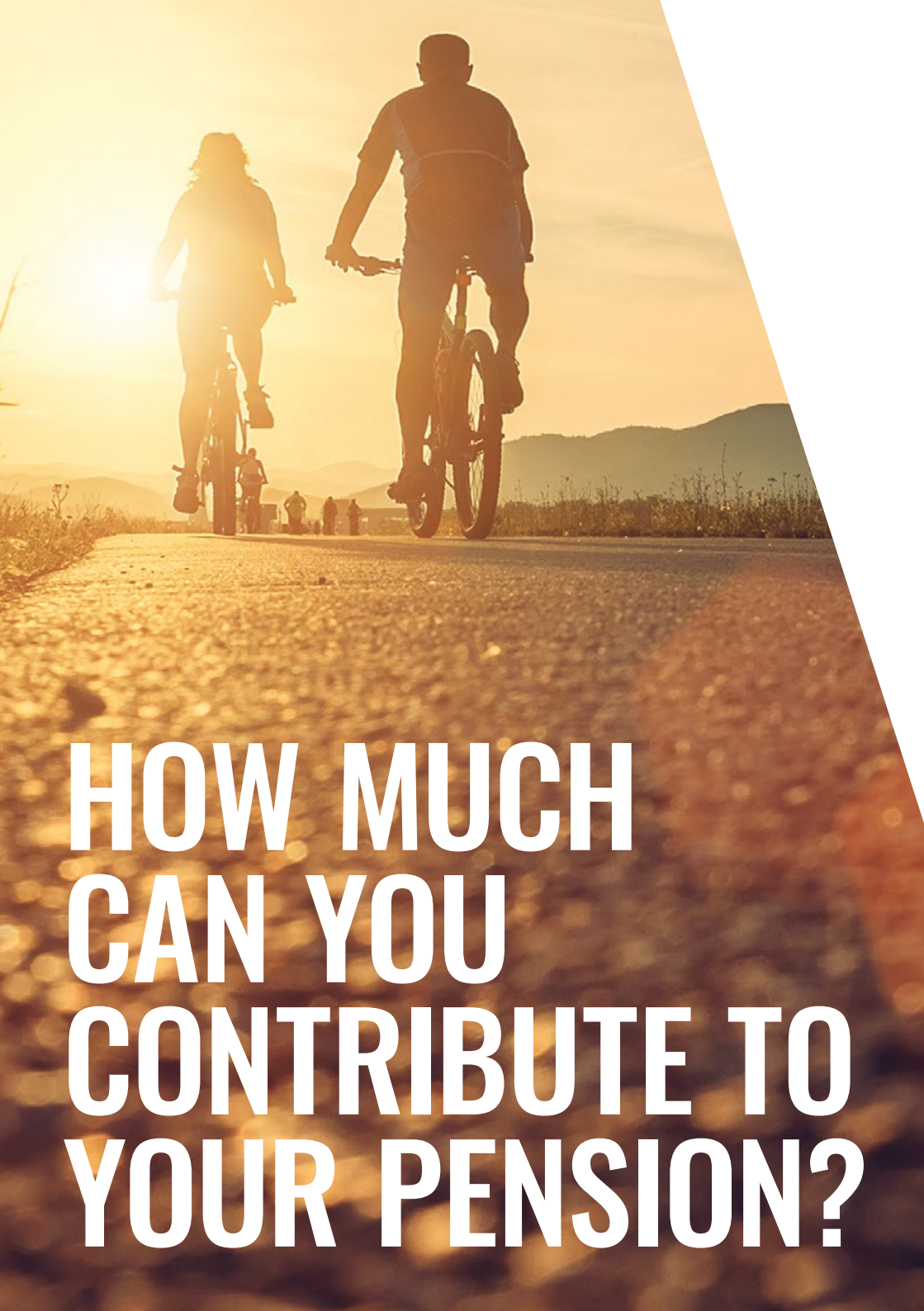
Whenever you make a contribution to your pension, the government adds money too. This is called tax relief and it's one of the main advantages of using a pension to save for your retirement.

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 £27,492 and £43,662, you should get tax relief of up to 21% (1% more than the basic rate tax band between £15,398 and £27,491). But this extra 1% won't be added automatically. You'll need to complete a tax return or write to your local tax office.

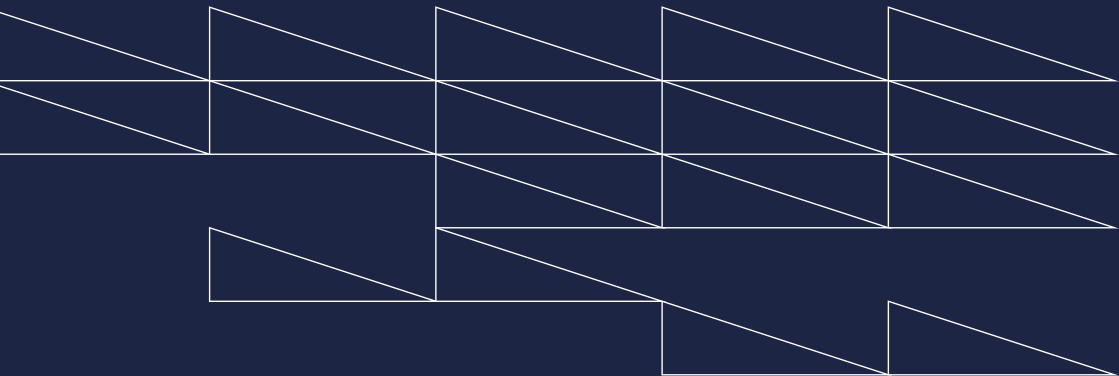
If you're a higher-rate Scottish taxpayer you can claim back up to a further 22%, anyone paying the new advanced rate can claim back up to an extra 25%, and top-rate taxpayers can claim up to an additional 28%.

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 →



20%
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. If you don't complete a self-assessment tax return, you may be able to claim the extra tax relief online or by post.

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.

**SELF-ASSESSMENT
TAX RETURN**



PENSION TAX RELIEF EXAMPLES

Please note, these are fictional examples and are for illustrative purposes only.



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 £220,000 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
2023/24	£40,000	£5,000	£35,000
2024/25	£60,000	£15,000	£100,000
2023/24	£60,000	£40,000	£20,000
VALUE TO CARRY FORWARD			£80,000

The tapered annual allowance could have applied for the 22/23, 23/24 and 24/25 tax years meaning your annual allowance in those years could be less than the amount shown in the above.

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, which 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, the UK's no.1 platform for investments and savings in some other guides company helping UK savers and investors for over 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

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