

FACTSHEET

TAPERED ANNUAL ALLOWANCE

APPROVED FOR CLIENT USE | JUNE 2023



Definitions

What is the tapered annual allowance?

The tapered annual allowance is a variation of the annual allowance rules which was introduced in April 2016. If you want to learn more about the annual allowance rules, please read our Annual Allowance fact sheet.

For those affected by the tapered annual allowance, the annual allowance gradually reduces from the standard £60,000 figure down to a minimum of £10,000. The tapered annual allowance applies to individuals whose threshold income is above £200,000 and whose adjusted income is above £260,000.

The previous tapered annual allowance rules were:

6 April 2016 and 05 April 2020

Individuals with adjusted income above £150,000 were restricted in the same way reducing their annual allowance by £1 for every £2 above this figure to a minimum annual allowance of £10,000.

6 April 2020 and 5 April 2023

Individuals with an adjusted income above £240,000 were again restricted reducing their annual allowance by the same £1 for every £2 above this figure to a minimum annual allowance of £4,000.

What is threshold income?

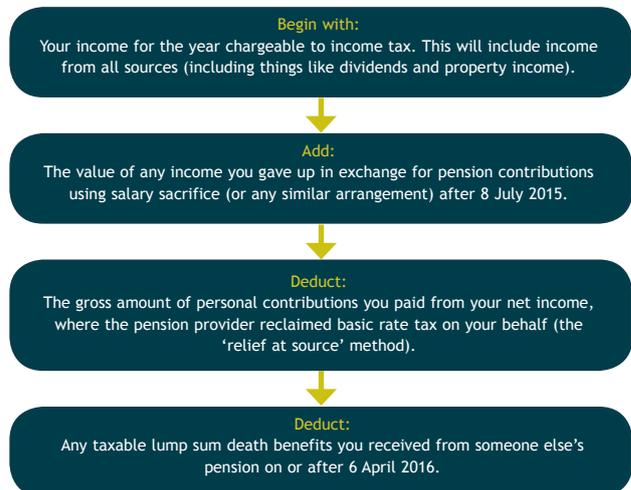
In its simplest form, threshold income is your total taxable income for the year, excluding your pension contributions. We've summarised the steps you'll need to take to find this figure below.

However, we strongly recommend that you speak to an adviser about the full details of this calculation if you think you may be affected by the tapered annual allowance.

What is adjusted income?

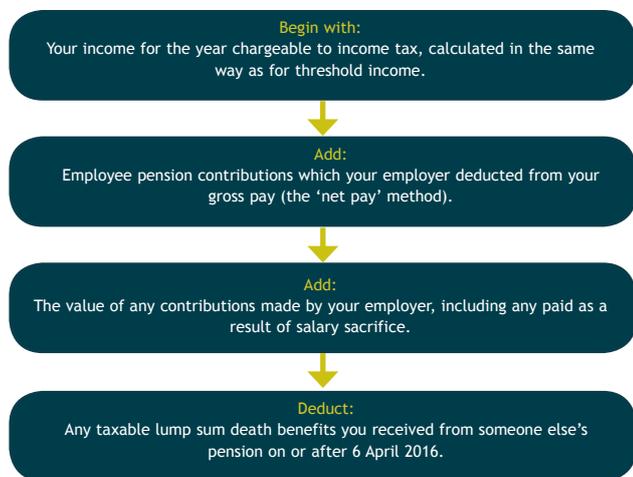
Adjusted income is your total taxable income including your pension contributions. We've summarised the steps below but, once again, we strongly recommend you speak to an adviser for the full details.

Threshold income:



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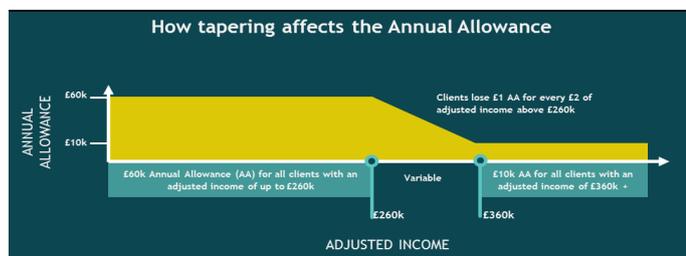
Adjusted income:



Rules

How does the taper work?

If you are affected by the tapered annual allowance, you will lose £1 of annual allowance for every £2 of adjusted income above £260,000. Your annual allowance will not drop below £10,000 though, so if your adjusted income is more than £360,000 there is no further reduction.



Adjusted income	Annual allowance
Up to £260,000	£60,000
£280,000	£50,000
£300,000	£40,000
£320,000	£30,000
£340,000	£20,000
£360,000 and above	£10,000

Is there any way to get a higher annual allowance if I'm affected by the tapered annual allowance?

You may still be able to use carry forward if you are affected by the tapered annual allowance - please read our Carry Forward fact sheet for further details.

Take care, however, if you are considering taking any action which would reduce your threshold or adjusted income (or both) in order to limit the effect of the tapering rules. The legislation includes anti-avoidance measures to prevent people from manipulating their income in order to avoid or limit their annual allowance reduction.

Important points to consider

The value of pension funds may fall as well as rise. Your money is tied up until you take your benefits. Benefits can generally be taken any time after age 55, although this is due to increase to 57 in 2028.

This information is based on our understanding of current legislation, including (but not limited to) FCA, PRA and HMRC regulation. It does not constitute any form of advice.

Contact Details

If you'd like to speak to us about anything on this fact sheet, please contact us on:

T 01473 296 950

We may record and monitor calls. Call charges will vary.

E enquiries@curtisbanks.co.uk

Please remember not to send any personal, financial or banking information via email as it is not a secure method of communication.