CURTIS BANKS

CASE STUDY

THIRD PARTY CONTRIBUTIONS AND ANNUAL ALLOWANCE CHARGES – PART 2

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This case study is from Meet the Joneses – Series 2. This series is set 4 years after Series 1. Information about the family and further case studies can be found on our website, www.curtisbanks.co.uk/meet-the-joneses. All characters in the Jones family are fictional and intended for demonstrative purposes only.

Read Part 1 of this case study to see the full background to Flo's situation.

The Challenges

Flo Calvi-Jones has just realised that she's made a mistake with her pension.

She recently had a catch up with her cousin, Paula. Paula told Flo that she's been helping her father work out how much carry forward allowance he had available, as he wanted to make a larger contribution to his pension than usual without paying a charge.

Flo didn't think too much of it while she was talking to Paula. However, it did make her think of the time her mother, Julia Jones, had surprised her with a contribution to her pension, not realising that Flo had already contributed a significant sum that year. Her total contributions had ended up exceeding her earnings for the year and the annual allowance, and she'd paid an annual allowance charge from her pension using scheme pays.

However, Flo's just realised that she didn't take carry forward into account. She had joined the pension the tax year before Julia contributed to it. The only contribution into the pension in the first year was a £5,000 contribution from her mother Sara Calvi.

Thinking back to the conversation she's just had with Paula, Flo realises that she had more than enough unused allowance available to cover her annual allowance excess.

The Actions

Flo calls her provider to see if anything can be done, worried that it might be too late four years on.

She speaks to Rachel, who reassures Flo that it isn't too late to sort out the mistake. Rachel explains that where someone has required their provider to pay an annual allowance charge and needs to change the amount, they have until 31 July four years after the end of the tax year where the charge arose to let the provider know. For example, if a charge had arisen in the 2020/21 tax year, the individual would have until 31 July 2025 to let their provider know of a change to the amount.

Flo is relieved and asks what she needs to do next. She vaguely remembers a form she had to complete before that gave her provider the information required in order to settle the charge.

Rachel confirms that the rules require a similar notice to amend an annual allowance charge, and she will send Flo confirmation of everything she needs to complete.

The Results

Flo completes her amendment notice confirming that there's no annual allowance charge to be settled, and sends it to her provider. She receives confirmation from Rachel that it's been received and that she will now apply to HMRC for a refund of the amount previously paid. Once received, the funds will be applied to Flo's pension.

Contact details

If you'd like to speak to us about anything in this case study, please contact us on:

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

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