

FACT SHEET

CARRY FORWARD

APPROVED FOR CLIENT USE | JANUARY 2024



Definitions

What is carry forward?

Carry forward is a way for individuals to increase their annual allowance in a given year by using up unused allowance from previous tax years. It's important to note that carry forward can increase the annual allowance or tapered annual allowance, but it has no effect on the money purchase annual allowance (MPAA).

Please read our separate fact sheets for more information about the annual allowance, tapered annual allowance or money purchase annual allowance.

Rules

Can I use carry forward?

There are a few conditions which have to be met in order for someone to use carry forward.

Firstly, you must have been a member of a pension scheme during the tax years from which you want to use unused allowance. It doesn't matter if you weren't paying into the scheme, or if you'd already started taking pension benefits. You just need to have been a member.

You also can't use carry forward from any year during which you were in flexible drawdown (which was available between 2011 and 2015).

Finally, you have to have used up your full annual allowance for the current tax year before you can use carry forward.

How does carry forward work?

Carry forward allows you to use up unused annual allowance from the previous three tax years, starting with the earliest tax year first. In order to work out how much carry forward you have available, you'll need to know your annual allowance in each of the previous three tax years, and the value of your pension savings for each of those years.

If you've exceeded the annual allowance before, you may need to look back over more than three tax years to calculate your carry forward position accurately. We would recommend that you speak to a financial adviser if you're in this position. We would also strongly recommend that you speak to an adviser if your figures include the 2015/16 tax year, as there were special annual allowance rules that year which may affect your calculations.

If you are, or have been, subject to the tapered annual allowance, your available carry forward from each year will be based on your tapered allowance for that year, rather than the normal annual allowance. For example, if your tapered annual allowance one year was £15,000 and you contributed £7,000 (including tax relief), you would have £8,000 available to carry forward.

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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.

Contact Details

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

T 01473 296 950

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E enquiries@curtisbanks.co.uk

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