

FACT SHEET

CONTRIBUTIONS AND TAX RELIEF

APPROVED FOR CLIENT USE | APRIL 2026



Definitions

What is a contribution?

A contribution is an amount paid into a pension by an individual, their employer, or another third party. Contributions are normally paid in cash. A contribution is different from a transfer, which is when money already held in a pension is moved from one provider to another.

What is tax relief?

The idea of tax relief is very simple: if you decide to pay money into a pension, you don't have to pay the income tax that you'd normally pay on that amount. Instead, you keep it and can invest it along with the rest of the contribution, hopefully enjoying many years of investment growth before paying income tax when you eventually take your pension benefits.

Tax relief of this kind may be available on your personal and third party contributions. If your employer contributes to your pension they may receive a different kind of tax relief, but we won't discuss that here.

Rules

How much can I contribute?

There is no limit to how much you can contribute to a pension. However, there are limits to how much tax relief you can claim and keep each year. Many people choose not to contribute above these limits.

Am I eligible for tax relief?

In order to be eligible to receive tax relief, you need to be a 'relevant UK individual' for that tax year. Most often this means you were resident in the UK or had taxable UK income in that year. However, you can find a full definition by searching "Relevant UK individuals and active members" (including the quotation marks) on www.gov.uk

Your personal or third party contributions won't be eligible for tax relief once you've turned 75.

How do I get tax relief?

How you receive tax relief will depend on how you pay your pension contributions.

If you pay a contribution from your *gross* pay (i.e. before paying income tax) then you've already received the tax relief, as no income tax is ever deducted. This method is only available through a pension operated by your employer.

If you pay a contribution from your *net* pay (i.e. after paying tax) then you'll need to get the income tax back. Your pension provider reclaims basic rate tax back from HMRC. If you pay a higher rate of tax, you claim the rest back from HMRC through your tax return.

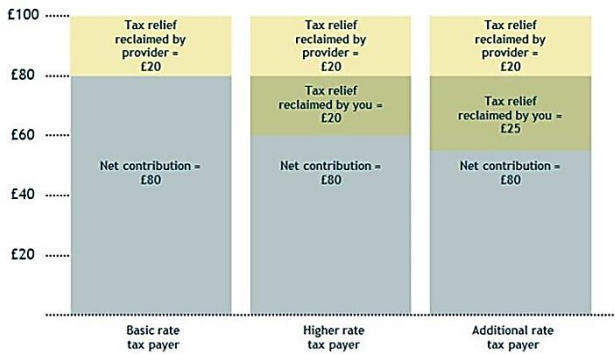
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For example, if you were a basic rate tax payer, £100 of gross income would have 20% tax deducted and you would receive £80 net. If you paid that £80 into a pension, your provider would claim back the £20 income tax to make a gross contribution of £100.

If you were a higher rate tax payer, your £100 gross income would have 40% deducted, giving you £60 net. In order to make a £100 contribution you'd still need to pay in £80 and the provider would still claim back £20; however, you could then claim back the other £20 from HMRC directly, so the end cost to you would be £60.



How much tax relief can I have?

The premise of tax relief is that you don't pay the income tax you would have paid. Therefore the maximum amount you can claim each year is based on your income for that year, ignoring factors such as the personal allowance.

For example, if you earned £20,000 one year, you could pay a £16,000 net contribution and receive £4,000 tax relief.

There is also a 'basic amount' which you can contribute while claiming tax relief, even if your income is lower. This is currently £3,600 (which would be made up of a £2,880 net contribution and £720 tax relief).

To check which types of income you can take into account, search "earnings that attract tax relief" (including the quotation marks) on www.gov.uk. Bear in mind that there is a difference between how much tax relief you can claim and how much you can keep.

How much tax relief can I keep?

Although you can claim tax relief on contributions up to the value of your earnings each year, the amount you can keep is limited by the annual allowance. If you exceed the annual allowance, a charge effectively takes back the tax relief on the excess amount. There are also variations of the annual allowance rules which apply to certain individuals. Please see our annual allowance, tapered annual allowance and money purchase annual allowance fact sheets for more information.

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 0370 414 7000

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

E cmt@curtisbanks.co.uk