

Focus On Pensions

The generous tax reliefs available on contributions made to a pension mean that they represent an important part of tax year end planning and a valuable investment, particularly for high earners.

It's important that clients have made all of the pension contributions that are available to them for this period, before the 6th April 2017.

Carry forward to improve funding – use it or lose it!

There are significant tax charges on pension contributions over and above the annual allowance, which currently stands at £40,000, making it generally uneconomical to continue to invest past this figure.

However, clients can apply any unused allowances, from the previous 3 tax years under the “carry forward” rules.

Annual tax-free pension allowances:

Tax Year	Maximum Pension Contribution
2013 / 2014	£50,000
2014 / 2015	£40,000
2015 / 2016	£40,000
2016 / 2017	£40,000*
2017 / 2018	£40,000*

* Subject to tapering.

Beginning this tax year any clients with adjusted income in excess of £150,000 will see their annual allowance reduced from £40,000 to as little as £10,000 if they are earning over £210,000. This is a result of the Government's decision to taper allowances for these higher earners, with every £2 earned over this amount now reducing the annual allowance by £1.

Those affected by the taper may still have significant unused allowances from previous tax years, when the taper was not in force, allowing much higher contributions this tax year than the taper allowance would suggest. However this opportunity will soon be gone.

As we approach the end of the tax year, it's crucial for high earners to utilise the £50,000 allowance from the 2013/14 tax year, it's their final opportunity.

Clients are advised that the value of all investments can go up as well as down. Opinions, interpretations and conclusions expressed in this document represent our judgement as of this date and are subject to change. Furthermore, the content is not intended to be relied upon as investment advice, and is not a recommendation, offer or a solicitation to buy or sell any securities or to adopt any investment strategy. Prevailing tax rates and relief are dependent on your individual circumstances and are subject to change.

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