

Understanding the Annual Allowance and Lifetime Allowance



- The Annual Allowance (AA) is a limit on the total pension contributions that can be made in a tax year before incurring a tax charge.
- The AA is usually £40,000 p.a. but this may be reduced in certain circumstances (see* in the Pensions table below).
- If you have unused AA in the previous 3 tax years, it may be possible to carry forward this allowance for use in the current tax year.
- If you exceed your available AA the tax charge you pay is equal to your marginal rate of income tax.
- The Lifetime Allowance (LTA) is a separate pension tax limit and applies to the total value of all the pension savings you build up.
- You usually pay tax if your pension savings are worth more than your LTA. This tax charge is often payable when you begin to receive your pension benefits. Other events may also lead to your pension being tested against your LTA, including reaching age 75.

Income tax (2019/20)		
£0 - £12,500	0%	Personal Allowance**
£12,501 - £50,000	20%	Basic Rate
£50,001 - £150,000	40%	Higher Rate
Over £150,000	45%	Additional Rate

**If total earnings exceed £100,000 the Personal Allowance is reduced by £1 for every £2 over £100,000 until it reaches £0.

Pensions (2019/20)	
Annual Allowance (AA)	£40,000* (all contributions)
An eligible scheme member can contribute the higher of £3,600 p.a. and 100% of relevant UK earnings and receive tax relief, subject to the overriding AA (£40,000 for 2019/20). You may be able to 'carry forward' unused AA from previous 3 years (subject to HMRC rules). *If threshold income is over £110,000 and adjusted income is over £150,000 the AA is reduced by £1 for every £2 that adjusted income exceeds £150,000. The AA will not be reduced below £10,000.	
Lifetime Allowance (LTA)	£1.055 million

The LTA
The LTA in 2017/18 was £1.03m. The LTA is expected to continue to increase in line with the Consumer Price Index (CPI) each year.

Useful Contacts	
Information about your Vodafone pension scheme	www.vodafonepensionsupdate.co.uk
The annual allowance and carry forward	www.gov.uk/tax-on-your-private-pension/annual-allowance
Working out your tapered annual allowance	www.gov.uk/guidance/pension-schemes-work-out-your-tapered-annual-allowance
Annual allowance carry forward calculator	www.hmrc.gov.uk/tools/annualallowancelimit
Lifetime allowance limits	www.gov.uk/tax-on-your-private-pension/lifetime-allowance
Applying for lifetime allowance protection	www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance
Seeking financial advice	https://register.fca.org.uk/ www.wealthatwork.co.uk/mywealth - 0800 028 3200
Income tax rates and allowances	www.gov.uk/income-tax-rates
Tax code checker	www.gov.uk/tax-codes
National Insurance credits	www.gov.uk/check-national-insurance-record
State Pension	www.gov.uk/new-state-pension
Nomination forms – available from your pensions administrator	please email vodafonepensions@willistowerswatson.com

