

## SIPP Member Fact Sheet – Contributions and Tax Relief

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### Can I contribute to my SIPP held with Pathlines?

It depends on which SIPP product you hold with us.

If you live overseas and hold a Your Global SIPP or any other SIPP product with us designed solely for non-UK residents then no, you cannot contribute to your SIPP held with us.

If you hold one of our SIPP products for UK residents then yes, contributions can be made to your SIPP. You or your employer (if you have one) can make contributions to your SIPP. Another person can also make a contribution on your behalf (called a 'third-party' contribution).

### Can I change my contributions?

You can stop, start, reduce or increase your regular contributions at any time. You can also make single one-off contributions - it's a SIPP; you are in control.

### Do I get tax relief on my personal contributions to my SIPP?

If you are under the age of 75 and UK resident then you can get income tax relief on your personal contributions up to limits set each tax year (6th April to 5th April).

No tax relief is given on any personal contributions you make after you have reached age 75.

If in the future you move abroad away from the UK you may be able to make small ongoing contributions and get tax relief for a limited period (provided you were UK resident when you opened your SIPP).

### What are the limits on tax relief?

You only get tax relief on pension contributions you make personally in a tax year that are within:

- 100% of your 'relevant UK earnings' for that tax year; or
- £3,600, if your earnings are below this amount

Only earnings from employment or self-employment count as relevant UK earnings. This limit applies to the combined contributions you make to all UK pension schemes in the tax year.

If you move abroad in the future then up until age 75 you may be able to contribute up to £3,600 (gross) each tax year and get tax relief for a limited period (depending on the circumstances).

Anything you contribute over that limit will not get tax relief.

It is important that the 'gross' value of any contribution you make to your SIPP is considered against the above limit (what we mean by 'gross' is explained below).

You are also subject to a separate annual restriction called the 'annual allowance'. If you breach your annual allowance in a tax year you may be liable to a tax charge on the amount you go over.

If you have started taking benefits from another scheme you may be subject to an additional, lower allowance called the 'money purchase annual allowance'.

### How is tax relief given on my personal SIPP contributions?

All your personal contributions are payable 'net' of basic rate tax (20% currently), provided you are going to be within your 'relevant UK earnings' (or £3,600) limit for the tax year.

This basic rate tax is claimed by us direct from HMRC and credited to the SIPP cash account. This process can take between 6 to 11 weeks. If you pay tax above the basic rate then you can claim extra tax relief back from HMRC (through your self-assessment).

### How is tax relief given on my personal SIPP contributions? (continued)

If you are a higher or additional rate taxpayer in the tax year you can claim some more tax relief back direct from HMRC (paid to you personally). You can do this through your self-assessment or by contacting them directly <https://www.gov.uk/tax-on-your-private-pension/pension-tax-relief>.

#### Example:

If you wanted to contribute £10,000 to your SIPP you would only pay us £8,000 net.

Provided you haven't told us the contribution will take you over your earnings limit we will claim back £2,000 from HMRC and add this to your SIPP.

It is the £10,000 'gross' value above that counts towards your 100% of relevant UK earnings limit and annual allowance for the tax year.

If you are a higher-rate tax-payer (or an intermediate-rate tax payer in Scotland) then you can claim back some more tax relief direct from HMRC (if you are a higher-rate tax payer, this would be another £2,000 if you had £10,000 income in the 40% bracket that tax year, and possibly a bit more if you were an additional rate taxpayer in that tax year).

If you live in Scotland or Wales, you may be entitled to a different rate of tax relief on your pension contributions. Please contact HMRC for further details or see <https://www.gov.uk/scottish-income-tax> and <https://www.gov.uk/welsh-income-tax>. We currently still claim basic rate tax relief at 20% for our Scottish and Welsh residents (although this may change in the future).

### How are any employer contributions treated?

Any contribution paid by your employer is treated as a 'gross' payment by us; we do not claim back any tax relief as we do with your personal contributions. Your employer will normally be able to claim the contribution as an expense for tax purposes.

Any employer contributions do not impact on the maximum amount you can contribute personally against your 'relevant UK earnings' but do count towards your annual allowance (see below).

### Can another third-party contribute to my SIPP?

Yes, although we will need to first carry out money-laundering checks on that person.

Unlike with employer contributions, the payment is treated for tax purposes as if you paid it yourself.

The contribution is subject to (and counts towards) your earnings limit as well as your annual allowance for the tax year and is treated as being paid 'net' of basic rate tax by us (in the same way as we would with a contribution paid by you personally).

### What is the 'annual allowance'?

This is the maximum amount of pension savings you can pay or benefit from in all your pension schemes each tax year (6 April to 5 April) without triggering a tax charge.

For most people their current annual allowance will be £60,000 (for the 2023/24 tax year onwards), although it is possible your personal circumstances mean this figure is lower ('tapered').

The annual allowance applies across all your pension schemes if you are active in more than one.

If you have more than one pension this includes:

- the total gross amount paid into your SIPP or any other money purchase pension scheme in a tax year by you, your employer or any other person on your behalf (including any basic rate tax due that we or another provider have or will claim back from HMRC); and
- any increase in value of a final salary or defined benefit pension scheme in a tax year (calculated in a set way)

### Can I 'carry forward' unused annual allowance from previous tax years?

Yes. If you have used up the annual allowance in the current tax year but didn't use up all of your annual allowance in any of the last three tax years it may be possible to carry that unused annual allowance forward to the current tax year to avoid an annual allowance charge.

### Can I 'carry forward' unused annual allowance from previous tax years? (continued)

To be able to carry forward you must have been a member of a UK pension scheme during the tax year you want to carry forward from.

The basic annual allowance was lower (£40,000) in the three tax years prior to the 2023/24 tax year, which may have an impact on any 'carry forward' potential.

**It is important to remember that 'carry forward' of unused allowance from earlier tax years only applies to the annual allowance. It does not apply when considering the 'relevant UK earnings' limit on personal contributions.**

#### Example:

Your 'relevant UK earnings' in a tax year will be £30,000.

£30,000 'gross' is the maximum you can contribute personally to all schemes and get tax relief no matter how much annual allowance you have left unused in that and earlier tax years.

HMRC provide an online calculator to help with calculating 'carry forward' – this can be accessed at [www.tax.service.gov.uk/pension-annual-allowance-calculator](http://www.tax.service.gov.uk/pension-annual-allowance-calculator).

### When may my annual allowance be lower?

If you have a high income then your annual allowance may be less than the basic amount in a particular tax year. If you are a high earner then you will have a reduced ('tapered') annual allowance in a tax year if both what is referred to as:

- your 'threshold income' is over £200,000 (2023/24 tax year onwards); and
- your 'adjusted income' in that tax year is over £260,000 (2023/24 tax year onwards)

This means that for every £2 of 'adjusted income' you have in a tax year above £260,000 your annual allowance is reduced by £1. The maximum reduction is £50,000 (2023/24 tax year onwards).

If your 'adjusted income' is £360,000 or more, then your annual allowance will be reduced to the minimum of £10,000.

In previous tax years the 'adjusted income' and minimum reduction figures were lower.

The definitions of 'threshold income' and 'adjusted income' are complex and catches other types of income and not just earnings from employment or self-employment. If the 'taper' rules are likely to apply to you then you should seek specialist tax advice.

### Will my annual allowance position change if I've started taking pension benefits?

Possibly, depending on how you are accessing your pension.

Once you have flexibly accessed your pensions savings you will normally be subject to an additional lower allowance of £10,000 per tax year (from the 2023/24 tax year onwards) that will only apply to any contributions paid to any money purchase pension schemes (including your SIPP) from that point. This lower annual allowance is called the 'money purchase annual allowance'.

In previous tax years the figure was lower (£4,000).

In a SIPP, payment of income through flexi-access drawdown or payment of a one-off taxed lump sum will normally trigger the money purchase annual allowance. You will have been told by your pension provider if this has already occurred.

You do not trigger the 'money purchase annual allowance' if you:

- draw income using the old 'capped drawdown' rules in place before 6th April 2015;
- are receiving the income as a beneficiary of a deceased member; or
- in some cases where your funds were received following divorce settlement.

You cannot use 'carry forward' with the money purchase annual allowance.

If you still actively accrue benefits in a final salary or defined benefit (or other non-money purchase pension scheme) then you will need to take advice about how the money purchase annual allowance impacts on your normal annual allowance position for that scheme.

### What happens if I go over my annual allowance for the tax year?

If you go over your annual allowance in a tax year and do not have enough unused allowance from earlier tax years to carry forward to cover the amount you go over, then you will have to pay a tax charge on the excess.

This tax charge is calculated based on your marginal income tax rates for that tax year (so it may be 45%, 40% or 20% currently or a combination depending on your taxable income for the tax year).

You must declare the annual allowance charge to HMRC through your self-assessment for the tax year. In some circumstances you are allowed to ask us (or another scheme) to pay the charge from the scheme on your behalf.

If you go over the standard £60,000 annual allowance in your SIPP with us then we will send you a statement with set information to help you calculate your carry forward potential.

### Can I use any tax-free cash drawn from my pension to fund contributions?

If you 'recycle' your tax-free lump sum to significantly increase your future contribution levels then you may be subject to a tax charge. Please take advice if you think this may be an issue.

### Can contributions be refunded if I change my mind?

Only if within your 30-day cancellation period on setting up your SIPP. After that, usually no.

If you contribute personally over your 'relevant UK earnings' limit (so no tax relief is due) then the tax rules allow the excess to be refunded after the end of the tax year. However, if you inadvertently breach your annual allowance (or money purchase annual allowance, where it applies) then the tax rules do not allow a refund to be made.

### What are my responsibilities?

1. You are responsible for ensuring that we do not claim tax relief on contributions that take you over your 'relevant UK earnings' / £3,600 limit in a tax year (taking into account any other contributions to other schemes and any basic rate relief claimed by us and others).
2. You sign a declaration to this effect on opening the SIPP, as well as confirming that you will tell us if you inadvertently go over or stop being eligible to make tax relievable contributions (for example, because you move abroad). You must do this by the end of the tax year (or within 30 days if the excess contribution was made towards the end of the tax year).
3. If you are a higher-rate or additional-rate taxpayer then you will need to claim any extra tax relief due in the tax year beyond the basic rate we claim direct from HMRC.
4. You are responsible for monitoring your annual allowance position and declaring to HMRC any charge due if you go over your allowance and available carry forward in a tax year.

If you intend making significant contributions to your SIPP then we recommend that you appoint a financial adviser or accountant to ensure your personal contributions stay within your earnings limit for the tax year and to monitor your annual allowance position.

**We cannot give you advice on your tax relief limits, annual allowance position or tell you how much you can contribute. You will need to speak to an accountant or financial adviser.**

The information in this document is based on our understanding of legislation and HMRC guidance at the time of print. It should not be relied on as a statement of law or for advice purposes. Whilst every effort has been made to ensure the information is accurate, we will not accept responsibility or liability for any inaccuracy or omission in this document.



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