

YOUR GUIDE TO PENSION TAX RELIEF

Every year the government gives billions in pension tax relief

TAX



Claim your share - the sooner you act, the sooner you benefit



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Every year the government gives back billions to investors (£35 billion at the last count).

All UK residents under age 75 could claim their share.

We are referring to tax relief on pension contributions – no other investment grants the same benefits.

The exact value of tax benefits depends on your circumstances and tax rules can change.

- 1. Up to 45% tax relief on the way in** – The higher your rate of tax, the greater the benefit a pension affords. For instance, if you pay tax at 45%, you could receive up to 45% tax relief.
- 2. Tax savings as the money grows** – In a pension your money can grow free of UK Capital Gains Tax and further UK Income Tax.
- 3. Tax-free cash on the way out** – From age 55, you can usually take up to 25% as a tax-free lump sum. Any further withdrawals are subject to income tax.

HOW TO CLAIM YOUR SHARE – ACT TODAY

It takes just minutes to make a contribution

to the Vantage SIPP (Self Invested Personal Pension). A SIPP is for people comfortable making their own investment decisions. You are in control, can invest almost anywhere and benefit from low costs and award-winning service. Remember, the value of investments can go down as well as up so you may get back less than you invest. Find out more at www.hl.co.uk/sipp.

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This guide is for investors who prefer to make their own investment decisions, without financial advice, and benefit from the best range of initial savings of any UK broker. If you are happy to do this and manage your own pension the Vantage SIPP could be for you. If you do not need the flexibility of a SIPP, you might consider a stakeholder pension. If you have access to an employer's pension scheme you should always consider that first. Investments fall in value as well as rise so you could get back less than you invest. Neither capital nor income is guaranteed. Please read the Important Investment Notes on page 2.

How pension tax relief works

TIP
To claim back higher/top rate tax relief just add your pension contribution to your tax return or call your local tax office.

UK investors under age 75 can benefit from up to 45% pension tax relief this tax year.

The higher your rate of tax, the more tax relief you could receive. Even non earners, including children, and those with earned income under £3,600 can benefit, but can only contribute up to £3,600 this tax year.

- Basic-rate tax relief of 20% is added automatically. For instance, you contribute £8,000 to your pension and the government adds £2,000, to make a total investment of £10,000.
- Higher-rate taxpayers can claim back up to a further 20% through their tax return – another £2,000 in this example. So the cost of a

- £10,000 contribution is as little as £6,000.
 - Top-rate taxpayers can claim back up to a further 25% through their tax return – another £2,500 in this example. So the cost of a £10,000 contribution is as little as £5,500.
- The examples below should make it easy for you to identify yourself.



CHILDREN AND NON-TAXPAYERS:
0% tax = 20% relief
MAXIMUM CONTRIBUTION:
£3,600 per tax year

“Every year I pay £2,880 into my wife’s and my grand-daughter’s SIPPs. £720 tax relief is added automatically to each, and they don’t even pay tax”
Rupert, 57, business owner

You pay	The taxman adds	Total in your SIPP
£400	£100	£500
£1,200	£300	£1,500
£2,880	£720	£3,600



BASIC-RATE TAXPAYERS:
20% tax = 20% relief
MAXIMUM CONTRIBUTION:
Up to as much as you earn but see right for other factors to consider

“Retirement is a long way away, but every year I try to pay in at least £4,000. £1,000 tax relief is then automatically added”
Charles, 28, trainee lawyer

You pay	The taxman adds	Total in your SIPP
£1,600	£400	£2,000
£4,000	£1,000	£5,000
£8,000	£2,000	£10,000



HIGHER-RATE TAXPAYERS:
40% tax = up to 40% relief
MAXIMUM CONTRIBUTION:
Up to as much as you earn but see right for other factors to consider

“This year I’m contributing £20,000 to my SIPP. It’s great to know that’s only going to cost me £12,000 with higher-rate tax relief”
Emma, 43, accountant

You pay	The taxman adds	Total in your SIPP	Claim back up to an extra	Effective cost as little as
£8,000	£2,000	£10,000	£2,000	£6,000
£16,000	£4,000	£20,000	£4,000	£12,000
£32,000	£8,000	£40,000	£8,000	£24,000



TOP-RATE TAXPAYERS:
45% tax = up to 45% tax relief
MAXIMUM CONTRIBUTION:
Up to as much as you earn but see right for other factors to consider

“I use my full allowance of £40,000. With tax relief it effectively costs me a little over half of that. I’m looking to contribute more using carry forward”
Stephen, 51, IT director

You pay	The taxman adds	Total in your SIPP	Claim back up to an extra	Effective cost as little as
£8,000	£2,000	£10,000	£2,500	£5,500
£16,000	£4,000	£20,000	£5,000	£11,000
£32,000	£8,000	£40,000	£10,000	£22,000

Please remember pensions are long-term investments to fund your retirement; you cannot normally access your money before 55. When you do, up to 25% can normally be taken as tax-free cash. Further withdrawals are subject to income tax.

Most people can contribute as much as they earn to pensions. Currently a £40,000 annual limit and a £1.25 million lifetime allowance also apply. These limits can be affected by other factors.

This newsletter is not personal advice. If you are unsure about the suitability of an investment, contact our Financial Practitioners for advice.

Whilst the tax benefits we refer to are those that currently apply, they can change over time and their value will depend on your circumstances.

Before you decide to transfer a pension please ensure you understand how the transfer will be made. Unless otherwise agreed the transfer will be made as cash. Remember you will be out of the market while the transfer takes place. This may work in your favour if the market falls, but if it rises you will not benefit from any growth while you hold cash. Please be aware that some pension companies levy exit fees or a Market Value Reduction (MVR). You should also check you

will not lose a valuable guaranteed annuity rate, guaranteed investment return or any other benefit. Please contact us if unsure.

This newsletter is based on our understanding of the current legislation which is subject to change (1 April 2014).

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How much can I contribute?

The general rule is each tax year you can contribute to all your pensions as much as you earn and receive tax relief.

For example, if you earn £35,000 a year, you should be able to contribute £35,000 gross. You make a payment of £28,000, to which the taxman adds basic-rate tax relief – £7,000 in this example. The tables on page 2 show typical contributions and available relief for different tax bands.

This covers most people. However, there may be other factors you need to consider, especially if you can identify with any of these five scenarios.

1

I want to contribute more than I earn

Your employer could contribute on your behalf

In theory, your employer could contribute more than you earn (subject to the £40,000 annual allowance). Employer contributions are normally treated as an allowable business expense. However, HMRC could question it, if the total salary and benefit package is excessive for the work undertaken. For more information on employer contributions, please call us on 0117 980 9926 or email SIPP@hl.co.uk.

2

I want to contribute more than £40,000

You can contribute up to £190,000 and get up to £85,500 tax relief if you can use carry forward

Some higher earners could contribute up to £190,000 and receive up to £85,500 tax relief, by 'carrying forward' unused allowance from previous years.

To be able to use carry forward, you must have:

- ▶ Contributed less than £50,000 in any of the last three tax years;
- ▶ Had a pension in each of the years from which you are carrying forward;
- ▶ Earnings of at least the amount you are contributing. For instance, to make a contribution of £190,000 now, you must have earnings of at least £190,000 in the 2014/15 tax year.

Below is an example of how to calculate how much you could carry forward.

Tax year	Annual Allowance	Your total contributions	Unused allowance available for carry forward
2011/12	£50,000	£60,000	£0
2012/13	£50,000	£10,000	£40,000
2013/14	£50,000	£20,000	£30,000
2014/15	£40,000	£10,000	£30,000
REMAINING ALLOWANCE IN 2014/15, USING CARRY FORWARD			£100,000

To help you calculate how much you could carry forward, we have built a free online calculator – visit www.hl.co.uk/carry-forward. If you prefer, you can speak to one of our carry forward specialists on 0117 314 1799.

3

I'm a non-taxpayer

You can contribute up to £3,600 gross and receive up to £720 tax relief

UK-resident non-taxpayers, such as children and non-earning spouses, can receive 20% tax relief even if they do not pay tax. The maximum they can contribute each year is £3,600 gross – a payment of £2,880 to which the taxman adds £720.

4

My employer and I have contributed more than £40,000 across two tax years to pensions other than the Vantage SIPP

You need to check with your pension provider

When you contribute to the Vantage SIPP, your contributions count towards the annual allowance of the year in which they were made. For instance, a contribution you make in May 2014 counts towards the 2014/15 tax year. This is not necessarily the case for other pensions. A contribution could count towards a different tax year. This means you could unknowingly go over the annual allowance. You need to check your 'Pension Input Period' with your provider.

5

I am a member of a defined benefit pension

You need to check the value of these benefits

The benefits you are building up each year are assigned a monetary value.

This value counts towards the annual allowance and could therefore restrict what you can contribute to another pension. You need to contact your pension administrator and ask for this value, including against which year's annual allowance it counts.

Useful online tools

If unsure how much you can or should contribute, visit www.hl.co.uk for useful tools

[PENSION CALCULATOR](#) »

see how much you should contribute to help build the retirement income you want



[TAX RELIEF CALCULATOR](#) »

see how much tax relief you could receive



[ANNUAL ALLOWANCE AND CARRY FORWARD CALCULATOR](#) »

see the maximum you can contribute this tax year



How to start or top up a Vantage SIPP

The [Vantage SIPP](#) is for people happy to make their own investment decisions, without advice. To apply, please read the [Terms & Conditions](#) and [Key Features](#) (including the Contribution Checklist and Important Investment Notes) first. Please remember, investments can fall as well as rise in value, so you could get back less than you invest. Once in a pension, you cannot normally access your money until you are at least age 55.



• **By debit card online** – Visit www.hl.co.uk/SIPP and apply online. It takes less than five minutes. If you already have a Vantage SIPP, log in to your account first. Ensure you read the above documents.



• **By debit card over the phone** – Call 0117 980 9897. If you are starting a Vantage SIPP, please ensure you have your National Insurance Number at hand. Ensure you read the above documents.



• **By cheque, by post** – Download an application form at www.hl.co.uk/SIPP, complete it and return it with a cheque payable to [HL SIPP/your initials and surname](#). Ensure you read the above documents.