

## Press release

# New carry forward pension rule interpretation provides opportunity for pension investors

28/11/2011

A new interpretation of the pension rules has opened up opportunities for pension investors to make significant contributions to their pension scheme.

HMRC has announced changes to its interpretation of the “carry forward” rules which allow investors to sweep up unused contribution allowances from the previous three tax years. The carry forward rules allow investors to make contributions in the current tax year where they have paid in less than £50,000 in any of the previous three tax years. Where no contributions have been paid in the previous three tax years, investors can now pay in up to an additional £150,000.

The previous interpretation of the rules meant that an investor who had contributed more than £50,000 in either 2009/10 or 2010/11 was deemed to use up some of their annual allowance from earlier tax years, reducing the carry forward available to them now. The new interpretation means that the annual allowance from earlier tax years is not used up where the £50,000 limit has been exceeded in either 2009/10 or 2010/11.

Using the most extreme example an investor with contributions totalling £150,000 in 2010/11 would not have been able to make use of carry forward in respect of either the 2008/09 and 2009/10 tax years under the old interpretation of the rules. The carry forward option is now available to them meaning they could potentially pay in up to £100,000 in carry forward contributions in the current tax year.

Gareth James, Technical Marketing Manager at A J Bell said, “This is an important change for any investors who intend to make use of the carry forward rules in the current tax year. The old interpretation of the rules penalised those who had made sizeable contributions in the last couple of tax years. This change will provide investors with an opportunity to make larger contributions than had previously been the case.

James continued, “We’ve been working under the old guidance for more than six months so it is likely that the old interpretation of the rules was how the Government had intended them to operate. It is interesting that the new guidance has been released just before the Chancellor’s Autumn Statement. If the rules are changed again tomorrow it is reasonable to question the timing of this announcement”.

### Previous carry forward interpretation

| Tax Year                       | Contributions paid | Annual allowance used by 2010/11 contribution | Annual allowance available |
|--------------------------------|--------------------|---|----------------------------|
| 2008/09                        | £0                 | £50,000                                       | £0                         |
| 2009/10                        | £0                 | £50,000                                       | £0                         |
| 2010/11                        | £150,000           | £50,000                                       | £0                         |
| <b>Carry forward available</b> |                    |   | <b>£0</b>                  |

### New carry forward interpretation

| Tax Year                       | Contributions paid | Annual allowance used by 2010/11 contribution | Annual allowance available |
|--------------------------------|--------------------|---|----------------------------|
| 2008/09                        | £0                 | £0  | £50,000                    |
| 2009/10                        | £0                 | £0  | £50,000                    |
| 2010/11                        | £150,000           | £50,000                                       | £0                         |
| <b>Carry forward available</b> |                    |   | <b>£100,000</b>            |

END

Please note this document is intended for trade and national press individuals.

## Notes for Editors

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