

Annex F – Notes on pension growth

Annual allowance

This is the amount your pension can increase by during the tax year without giving rise to a tax charge (although you can carry over three years' previous unused allowance to offset the charge). Most people will not be affected, but if you have been contributing to the pension scheme for many years or have transferred in a large amount from a previous pension provider and are promoted and your pay increases, you may be affected.

- Standard annual allowance
The standard annual allowance for 2023-24 is £60,000 and will remain the same for 2024-25.
- Tapered annual allowance

If you have taxable income of over £200,000, a tapered annual allowance of between £60,000 and £10,000 may apply for 2023/24 and 2024/25.

To calculate your annual allowance for the scheme year, you must multiply your pension growth by 16.

Example

Annual pension at 6 April 2022 = £35,000

Annual pension at 5 April 2023 = £38,000

Pension growth = £38,000 - £35,000 = £3,000 x 16 = £48,000

For the purposes of this statement your pension growth has been calculated using your pensionable pay at 31 March. If this amount is near to the £60,000 standard allowance or within £10,000 of your individual tapered allowance for 2023/24, you should ask for a calculation of your pension input period amount, using your pay as at 5 April.

You can find more information, including an annual allowance checking tool, on the Government's website www.gov.uk/tax-on-your-private-pension/annual-allowance

An [annual allowance factsheet](#) is also available.

Lifetime allowance

The lifetime allowance is the maximum amount of pension savings you can have before a tax charge is made. To calculate how much of your lifetime allowance you have used, multiply your annual pension by 20, divide this by the lifetime allowance and multiply by 100.

From 6 April 2023 to 5 April 2024 the Lifetime Allowance threshold is reduced to NIL.

From 6 April 2024 the Lifetime Allowance is abolished.

The standard maximum tax-free lump sum in relation to the Lifetime Allowance is restricted to £268,275.

The excess lump sum will be taxed at your marginal tax rate.

The excess lump sum is treated as taxable income

From 6 April 2023 the income at which the additional tax rate (40%) applies is reduced to £125,140

Please see the [lifetime allowance factsheet](#) for more information.