Carry forward and save more in your pension

The pension carry forward rules explained

The annual allowance is the limit on how much you can save into your pensions each tax year while still benefiting from tax relief on your contributions. However, you may be able to contribute more than this in a tax year by carrying forward unused allowances from previous years.

IN THIS GUIDE WE COVER:

- How you might be able to save more than £60,000 in your pension in one tax year in a tax-efficient way
- What you should do if you intend to take advantage of the carry forward rule
- How to work out how much unused annual allowance you can carry forward from previous tax years
- Why it's very important to check that you've worked out your unused allowances correctly if you plan to carry them forward

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How much can I normally pay in to my pension each year?

There is no limit on the amount you can save into your pension each year but there are limits on:

- the amount you can save into your pension and claim back tax
- the amounts you can save into your pension before you have to pay tax

If you are under the age of 75 and have not started to access your pension savings, the amount you can save into your pension each year and claim back tax is the highest of the following three amounts that is relevant to you:

- £60,000
- 100% of your earnings if you earn less than £60,000
- £3,600 if you have very low or no earnings

The first limit is known as the annual allowance (AA). Contributions made by you, by your employer or made on your behalf by someone else all count towards this allowance which for the current tax year is £60,000 for most people.

Please note tax treatment depends on individual circumstances and tax and pension rules may change in the future.

If you are a higher earner your AA might be reduced. This is likely if you think you have earned more than £260,000 in this tax year, or earned more than £240,000 in any of the three previous tax years. You can find out more about this in our **tapered annual allowance** guide on our website.

If you have already taken money that's been taxed from a savings-related pension (also known as money purchase) then different rules apply. You can find out more about this in our **money purchase annual allowance** guide which can be found on our website.

Can I contribute more than the AA?

You might be able to contribute more than the AA in one tax year and obtain tax relief on that if you didn't use all your AA in any of the previous three tax years. This is known as carry forward.

It's very important to remember that if you pay more than this year's AA into your pension and don't have unused AA from previous tax years, you will have to pay an additional tax called the annual allowance charge. This is why it's very important to check that you have worked out the correct AA amounts available for carry forward.

Who is mostly likely to benefit from carry forward?

The carry forward rules are most useful if:

- You earn more than £60,000
- Your earnings vary widely from year to year
- Your expenses or financial commitments were unusually high in one of the last three tax years meaning that you were unable to contribute much to your pension
- You have had a particularly good year at work and received, for example, a bonus and you want to put some or all of it away for your retirement
- Your earnings in this tax year are at a level that means the tapered annual allowance applies to you and you want to contribute to your pension.

What other conditions apply to the carry forward rules?

You can potentially carry forward any unused AA from the three previous tax years if you meet the conditions listed below:

1. You must have paid in the maximum amount to your pension(s)* in the current tax year (this begins on 6 April 2025 and runs through to 5 April 2026).
2. You must earn at least the amount you wish to contribute in the tax year you are making the investment (so, for example, if you want to make total contributions of £100,000 in the 2025/26 tax year, you must earn at least £100,000 in this tax year).
3. You must have belonged to a UK-registered workplace or personal pension scheme in each of the three tax years before the current tax year. It doesn't matter if you didn't pay any money into the scheme during those years.
4. After using all your AA for the current year, you must use any unused AA from the earliest year first. For contributions made in the 2025/26 tax year, this will be the 2022/23 tax year.
5. If the level of your earnings means that the tapered annual allowance applies to you this year, or applied in any of the three previous tax years, remember that you need to calculate your **tapered annual allowance** for each year. You can find more information on the tapered annual allowance on our website.

*Remember that you need to include contributions to all pension schemes that you belong to when you're working out your AA.
If you belong to a defined benefit pension you'll need to ask the provider of this pension for details.

How carry forward works in practice.

David earns £115,000 a year and has contributed the following amounts to his pension over the last few years. His unused AA is also shown.

Year	Annual Allowance	Pension contributions	Unused Annual Allowance
2022/23	£40,000	£35,000	£5,000
2023/24	£60,000	£35,000	£25,000
2024/25	£60,000	£40,000	£20,000
2025/26	£60,000	£15,000	£45,000

In total, David has £50,000 of unused AA from the previous three years and £45,000 left from the current year. He can therefore make a further gross contribution of up to £95,000 if he or his employer make no further contributions in the 2025/26 tax year. With the £15,000 he has already saved, he could pay in up to £110,000 and get tax relief on the whole amount. This amount is less than he earns and so he is eligible for tax relief on the full amount.

Is there a way to check whether I can carry forward any unused allowances?

The government (HMRC) has a handy online calculator which helps you work out whether you have any AA you can carry forward. Simply search **gov.uk** for **"Pension annual allowance tool"**

What should I do if I want to take advantage of the carry forward rules?

Step 1 - Check for unused AA

The first step is to check if you have any unused AA you can carry forward.

You'll need to work out the total contributions that have been made to all of your pensions, giving you the information you need to complete your calculations. You should receive an annual benefit statement from each pension provider or you can call or write to them to get one.

Next, you need to look back over the three previous tax years to work out if you have any unused AA in those years. Don't forget that if the tapered annual allowance applied to you in a previous tax year (from 2022/23 and subsequent tax years), the amount available to carry forward from that tax year will be the difference between total contributions and your tapered allowance.

Step 2 - Apply the unused allowance

You'll need to work out the value of contributions you or someone else such as your employer has made in the current tax year. You need to subtract any contributions above your AA for the current tax year from unused AA in the three earlier tax years, starting with the earliest year first.

The earliest tax year you can carry forward from is the 2022/23 tax year. If the unused AA from earlier years is more than the difference between your AA for the current year and the value of your contributions for the current year, you don't have to pay an additional tax charge.

Note, these calculations can be quite complicated even for professionals such as ourselves so if you are unsure of how carry forward and the AA or tapered AA works, and how it may relate to you, we strongly suggest that you speak to an authorised financial adviser or a tax specialist. The benefits of doing so could far outweigh any potential costs for the service.

It's important to check all the contributions paid in previous periods either by you or someone else. If you belong to a defined benefit pension scheme, please note that different rules apply that are not discussed here.

Step 3 - Relying on the carry forward rules

You don't need to tell HMRC if you want to use the carry forward rules to make use of your AA from previous years. However, you may need to claim back tax on the contributions you've made in your self-assessment tax return, especially if you have paid substantial additional lump sums yourself and/or you are a higher rate tax payer. This will depend on your personal circumstances and the rules of the scheme you've contributed to.

We strongly recommend that you keep a record of your calculations of the AA available to you under the carry forward rules. This is so you can refer to it in later periods and also means that you are in a good position to answer any questions HMRC may have.

Remember: it is your responsibility to track total pension contributions paid in a tax year relative to the AA. If you exceed the AA across all your contributions, you may have to pay an 'annual allowance tax charge' on the excess. You'll need to declare this on your self-assessment tax return: the rate of this AA charge will generally be linked to the highest rate of income tax you pay.

The information in this guide is correct as at 6 April 2025.