

The logo consists of the letters 'M' and '&G' in a white, bold, sans-serif font. The 'M' is positioned above the '&G'. The logo is centered within a solid green square. This green square is part of a larger graphic composed of four colored rectangles: a light blue rectangle in the top-left, a dark teal rectangle in the top-right, a pink rectangle in the bottom-left, and a dark teal rectangle in the bottom-right.

M
&G

Our 2025 Annual Allowance event

18 September 2025



This content is based on our understanding of current taxation, legislation and HM Revenue & Customs practice all of which are liable to change without notice. The impact of any taxation (and any tax reliefs) depends on individual circumstances.

Where content includes case studies or examples these are for illustration purposes and are not recommending a specific course of action.

Past performance is not a reliable indicator of future performance. The value of an investment can go down as well as up and your client may get back less than they've paid in.

No reproduction, copy, transmission or amendment of this presentation may be made without our written permission.

Learning objectives

By the end of this session, you will be able to:



Describe the
operation of the
annual allowances

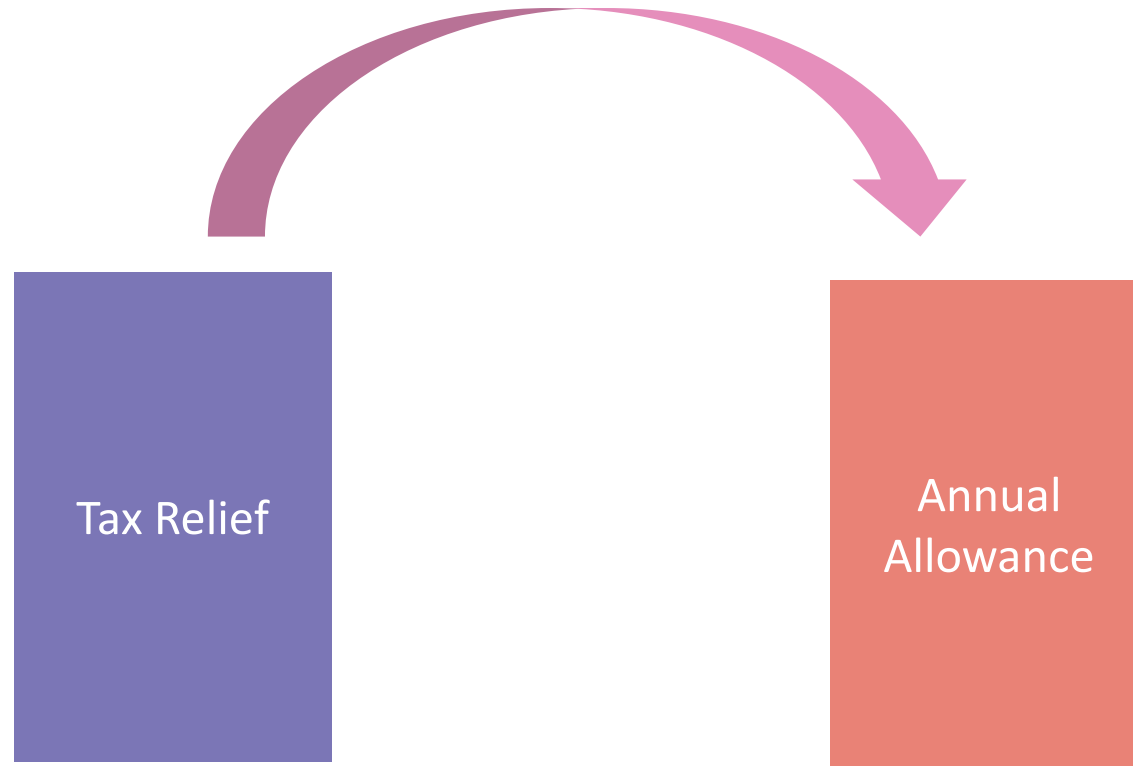


Calculate someone's
available annual
allowances



Explain the taxation
of annual allowance
excesses

One before the other



Tax Relief

Relevant UK Individual

Relevant UK Earnings

Personal contributions

- 100 % of relevant earnings or £3,600 if higher

Third party contributions

- 100 % of relevant earnings or £3,600 if higher

Employer contributions

- Wholly & Exclusively rules

Before their 75th birthday

No link to earnings!



Annual Allowance

All three flavours

The three AAs

The limits

Standard AA

£60,000

MPAA

£10,000

Tapered AA

£10,000

-

£59,999



How do you measure AA usage?

The measures

PIPs over PIAs





Calculating Pension Input Amounts

Money Purchase Inputs

The calculation

**Your
Contributions**  **Your
Employer
Contributions**  **Third
Party
Contributions**

DB Inputs

The calculation

$$\left(\text{Value* at end of year} - \left\{ \text{Value* at start of year} \times \text{Inflation (CPI)} \right\} \right) \times 16$$

*Value = pension accrued

plus

one times cash by addition



Tapered Annual Allowance

Threshold and Adjusted Incomes

Threshold Income & Adjusted Income

"Threshold income" > £200,000 from 2020/21

"Threshold income" > £110,000 2016/17 to 2019/20

"Adjusted income" > £260,000 from 2023/24

"Adjusted income" > £240,000 2020/21 to 2022/23
> £150,000 2016/17 to 2019/20

Total Income

Allowable reliefs

Personal Pension Contributions

Employment Income given up > 9 July 2015

Taxable lump sum death benefits

Total Income

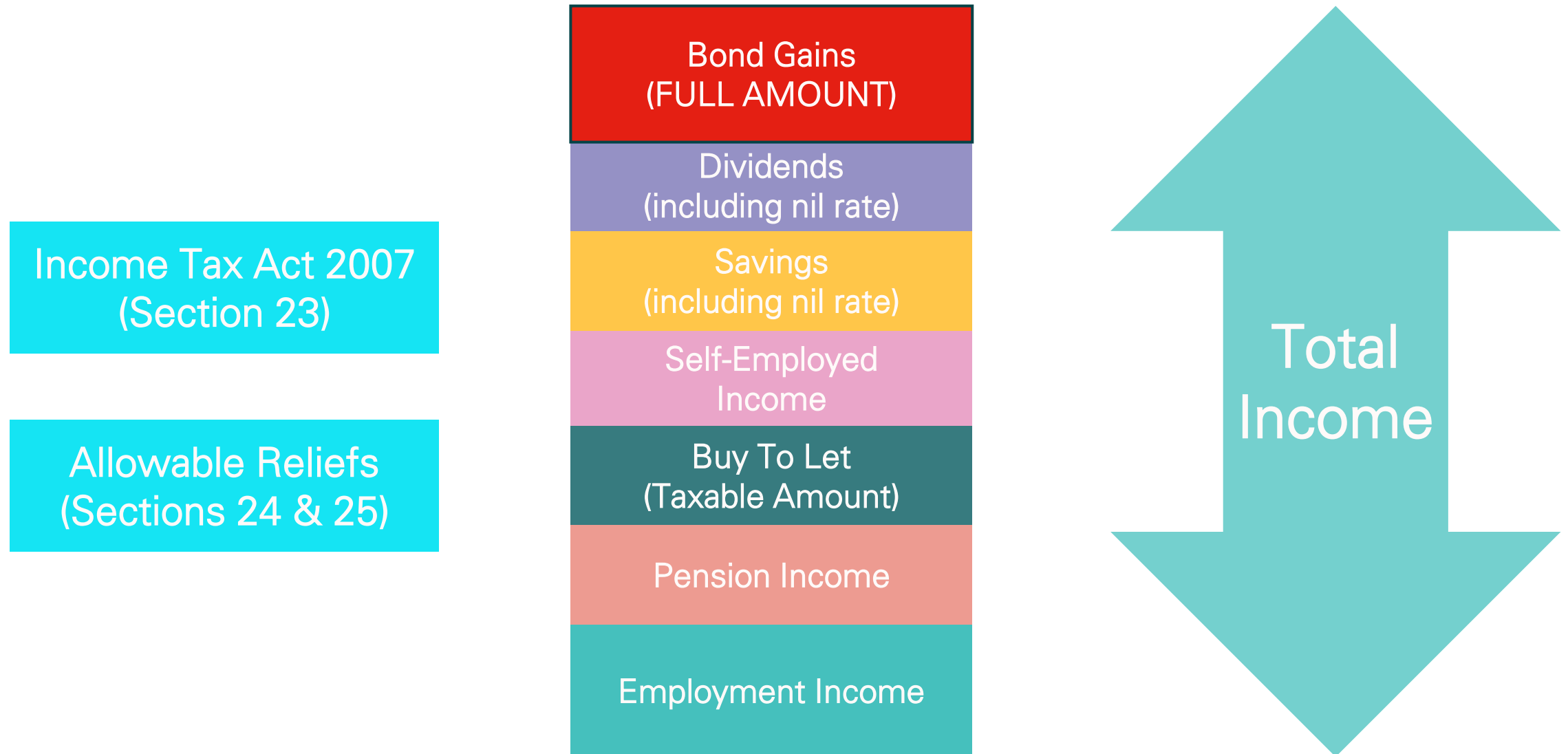
Allowable reliefs

"Paid Gross" pension contributions (individual)

Employer Pension Contributions

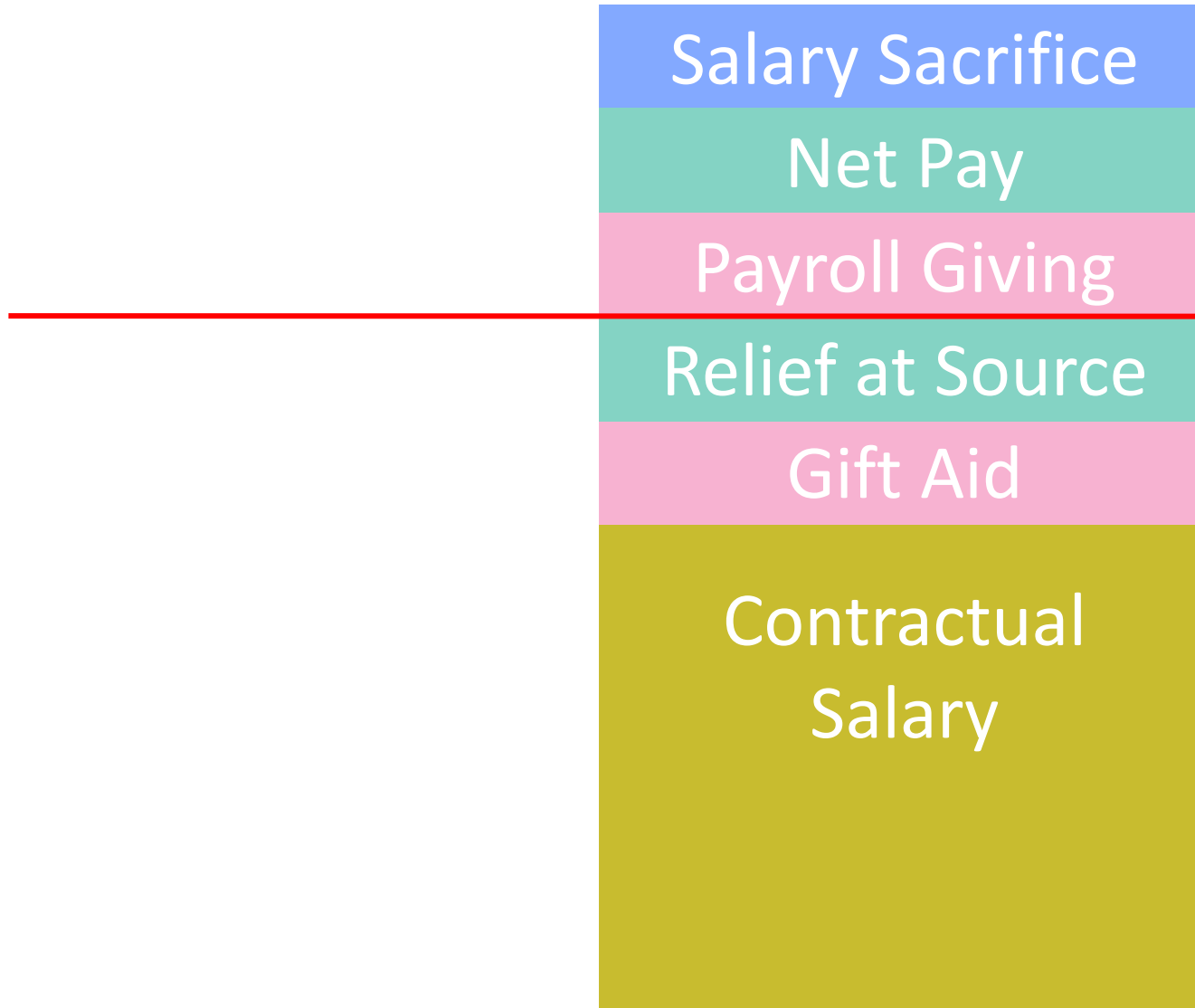
Taxable lump sum death benefits

What's included in Total Income?



Just £2 of savings interest can lose £1 of AA if you are tapered.

So what do we use?





What figure do you use for employer
c o n t r i b u t i o n s ?

Money Purchase Inputs

The calculation

~~Your
Contributions~~

Your
Employer
Contributions

~~Third
Party
Contributions~~

DB Inputs

The calculation

$$\left(\text{Value* at end of year} - \left\{ \text{Value* at start of year} \times \text{Inflation (CPI)} \right\} \right) \times 16$$

*Value = pension accrued

plus

one times cash by addition

LESS

The employee contribution to the scheme

The Easy Way

Tapered Annual Allowance Calculations

built by M&G

Instructions:

Input relevant figures in white boxes. Tapered Allowance will be calculated where relevant.

For income definitions see Pensions Tax Manual - PTM057100

Total Income

(please remember to deduct net pay contributions from this figure)

Allowable Reliefs

Net Pay Contributions

(including any s226 contributions)

Relief at Source contributions (Gross)

Value of employer pension contributions

Employer Pension Contributions to Money Purchase

Total DB Pension Input Amount for year

Total gross employee contribution to DB scheme(s) included above

Employment Income given up post 09/07/15

Taxable Lump Sum Death Benefits (Gross Value)

Warning, once you have calculated the remaining AA for the member be aware that any further contributions may change the tapered calculation.

For instance if the employer is planning to contribute the remaining AA for a member, the contribution they can make will be two thirds of the remaining AA that has been calculated.

2025/26 Tax Year

	Adjusted Income	Threshold Income
Total Income	£0	£0
	-	-
Allowable Reliefs	£0	£0
	+	
Net Pay Contributions	£0	
		-
Relief at Source contributions (Gross)	£0	£0
	+	
Employer Pension Contributions to Money Purchase	£0	
	+	
Total DB Pension Input Amount for year	£0	
	-	
Total gross employee contribution to DB scheme(s) included above	£0	
		+
Employment Income given up post 09/07/15	£0	£0
	-	-
Taxable Lump Sum Death Benefits (Gross Value)	£0	£0
	£0	£0

Is the Taper Triggered?
Annual Allowance for 2025/26

No
£60,000

Reset



M
&G

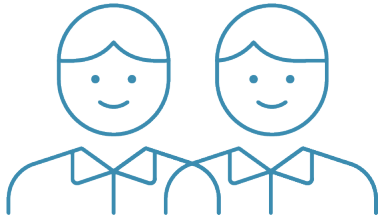
Money
Purchase
Annual
Allowance

Flexible access comes with a cost

Flexibly accessing benefits

	UFPLS	Payment from post April 15 flexible annuity
Income from Flexi-access Drawdown	Capped Drawdown payment above cap	Scheme Pension < 12 members
	Flexible Drawdown 6 April 15	Standalone Lump Sum Primary Protected TFC

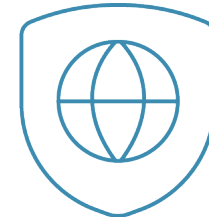
What does NOT trigger MPAA



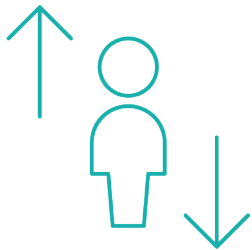
DB arrangements



Small pots or DB
triviality payment



PCLS, nil
income



Beneficiary FAD
Income

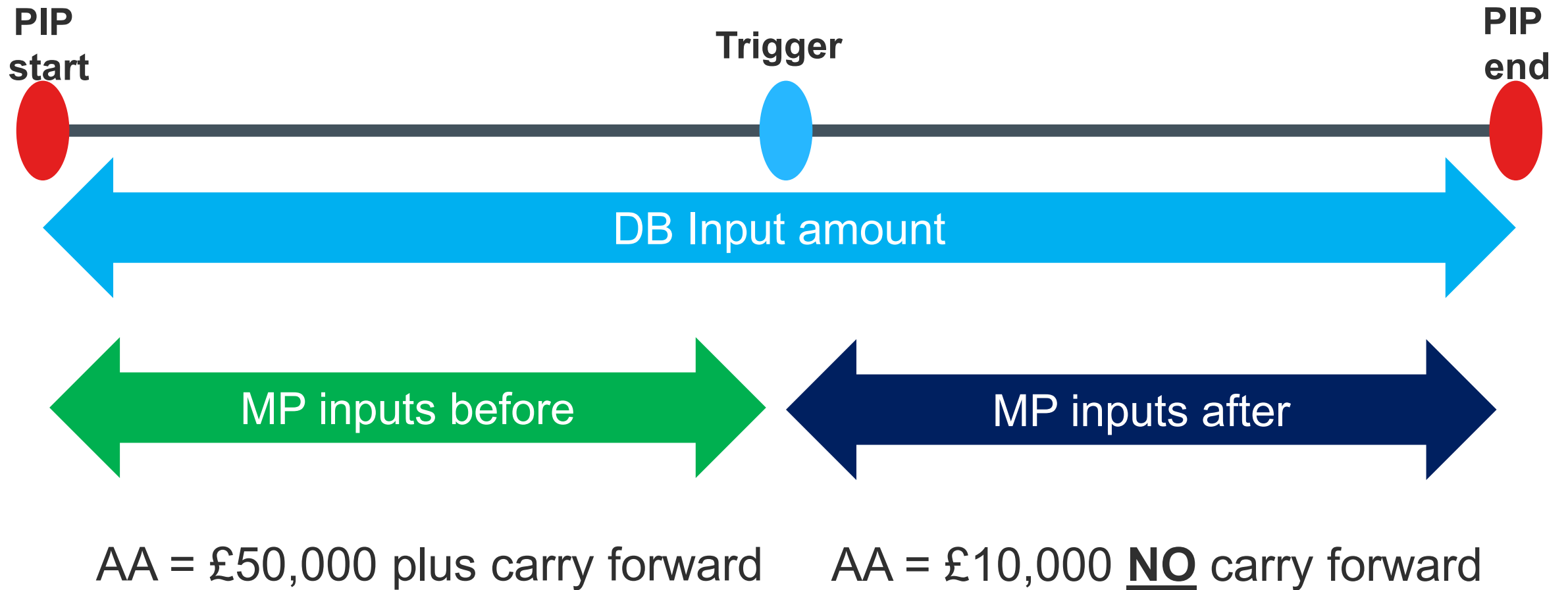


Disqualifying
pension credit
usage



Capped
Drawdown
income
within GAD

MPAA Limits



What is the alternative allowance?



If the MPAA is triggered, the alternative annual allowance still applies

- Standard alternative is £50,000
 - Used by DB and pre-trigger MP inputs
- If high earner, might trigger taper
- Taper must be calculated annually
- Can be increased using carry forward

Calculate and consider the correct chargeable amount.....



Remember,
remember, the
5th of October
Pension Savings Statement Season


Pension Savings Statement

Schemes must give the member a standard or money purchase pension savings statement if:

- their savings in a pension input period are more than the **standard** annual allowance
- you have reason to believe they have flexibly accessed their pension savings and their money purchase input amounts under the scheme exceeded the money purchase annual allowance

Must be by 6 October the following tax year

Even if you don't have to give a pension saving statement, a member can still ask you to give them this information.



Handy to get for normal
carry forward calculations

What will it look like?

Your pensions savings statement will help you assess whether your pension savings in this made up scheme have exceeded the annual allowance and the amount of any available carry forward from the previous three years that you

If you have made savings outside of this made up scheme that are assessed in the same tax year you will need to add these to the amounts shown in this statement to determine whether the Annual Allowance is exceeded.

Name	A N Other	Scheme Reference Number	01/23456
Pension Input Period	Tax Year	Pension Input Amount	
06/04/2024 to 05/04/2025	2024/25	£92,000.00	
Pensions Savings for the previous three tax years			
Pension Input Period	Tax Year	Pension Input Amount	
06/04/2023 to 05/04/2024	2023/24	£49,000.00	
06/04/2022 to 05/04/2023	2022/23	£25,000.00	
06/04/2021 to 05/04/2022	2021/22	£26,000.00	



Carry Forward

Potentially saving the day

Carry Forward

What's it for



Mitigate Annual Allowance charges

Eligibility



From 1st tax year joined a scheme

No earnings or contributions needed

Who benefits



Anyone whose inputs exceed their annual allowance

Using carry forward



Up to 3 yrs **unused** allowance can be carried forward to current tax year

No need to make a claim

Does **NOT** apply to MPAA

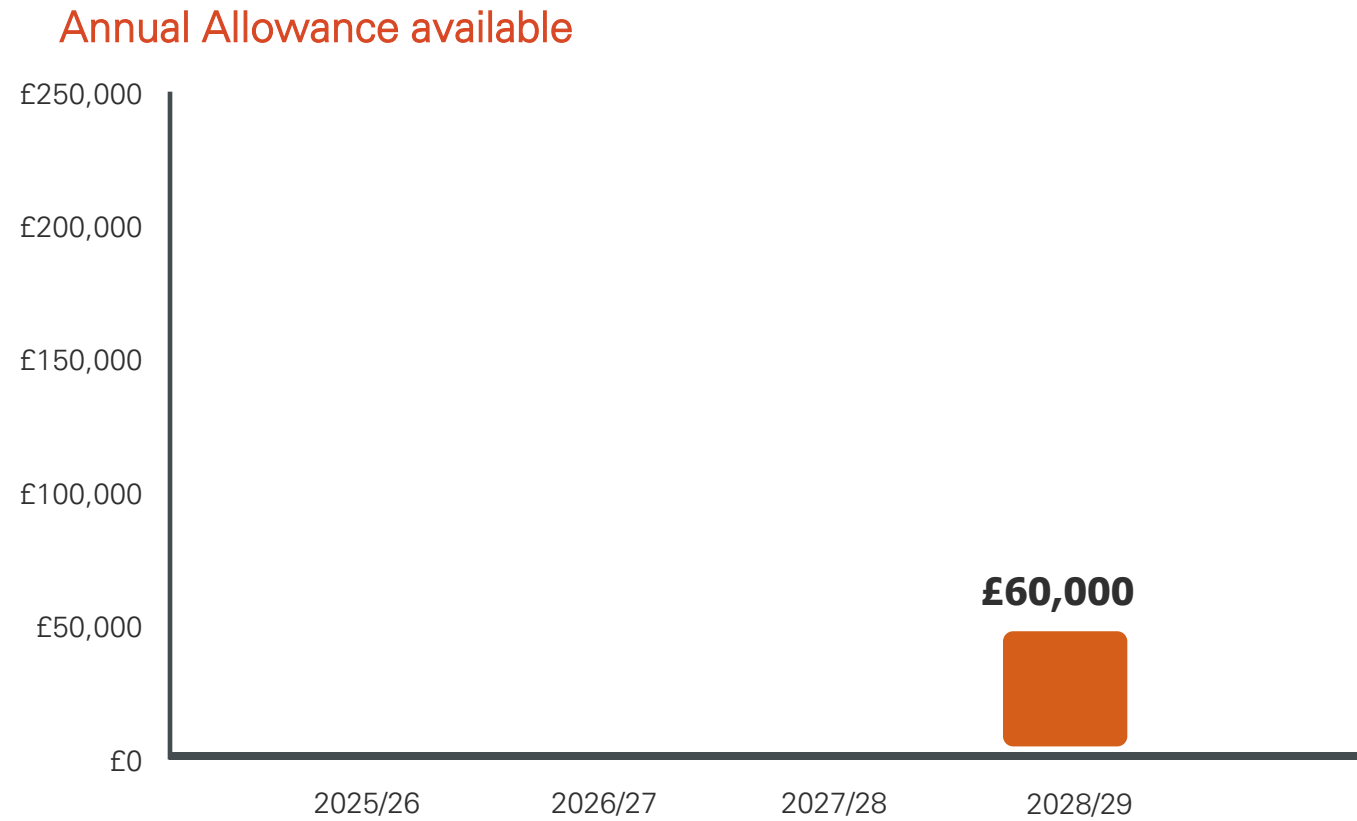
How much AA in 2025/26

	2021/22	2022/23	2023/24	2024/25	2025/26
Pension Inputs	£26,000	£25,000	£49,000	£92,000	
Unused	£14,000	£15,000	£11,000	-£32,000	£60,000
Used in 2024/25	£14,000	£15,000	£3,000	-£32,000	
Unused for 2025/26	£0	£0	£8,000	£0	£8,000
					£68,000

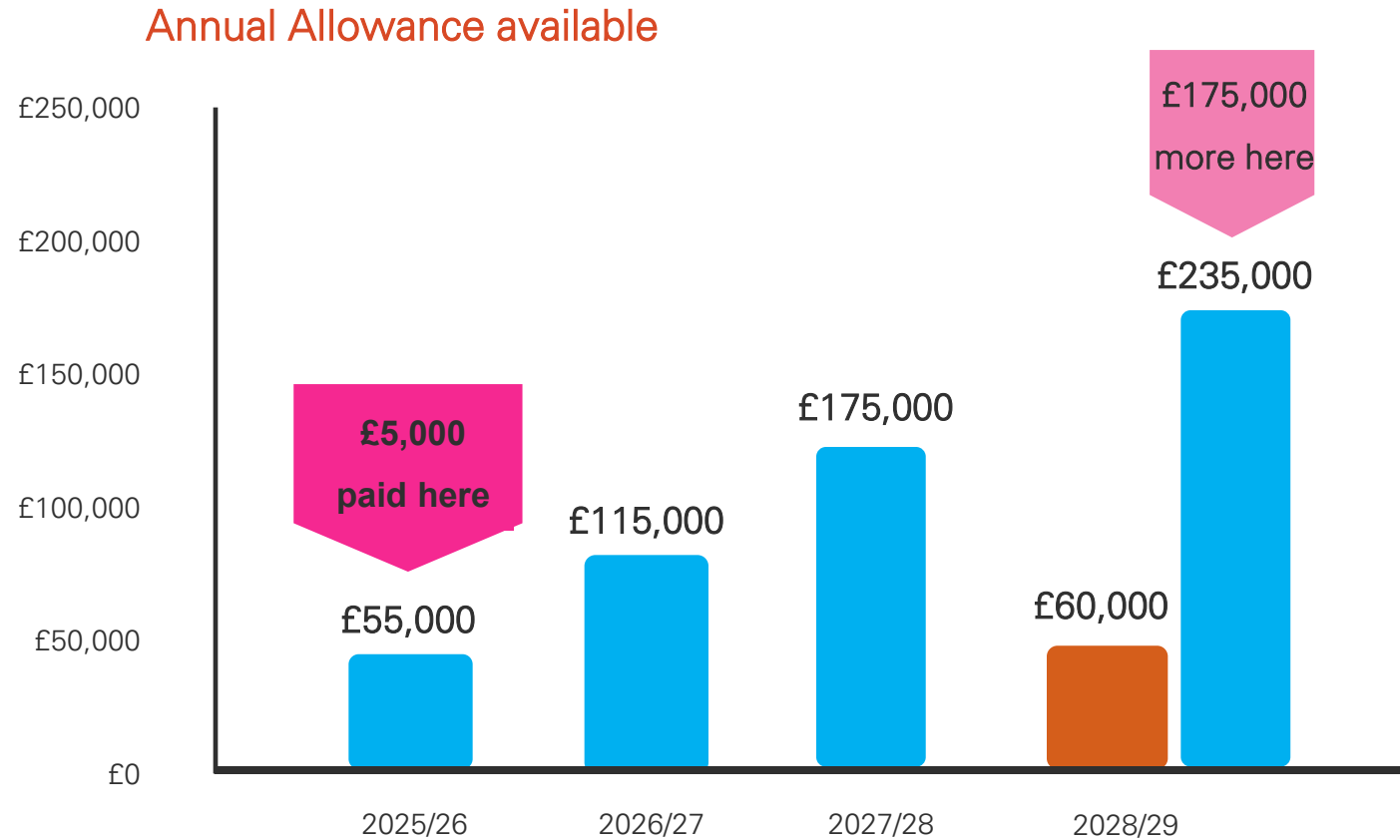
Don't look back for just 3 years...

1. Go back until you've three excess free years
2. Uncover unused allowances

The benefits of joining a pension plan early



The benefits of joining a pension plan early

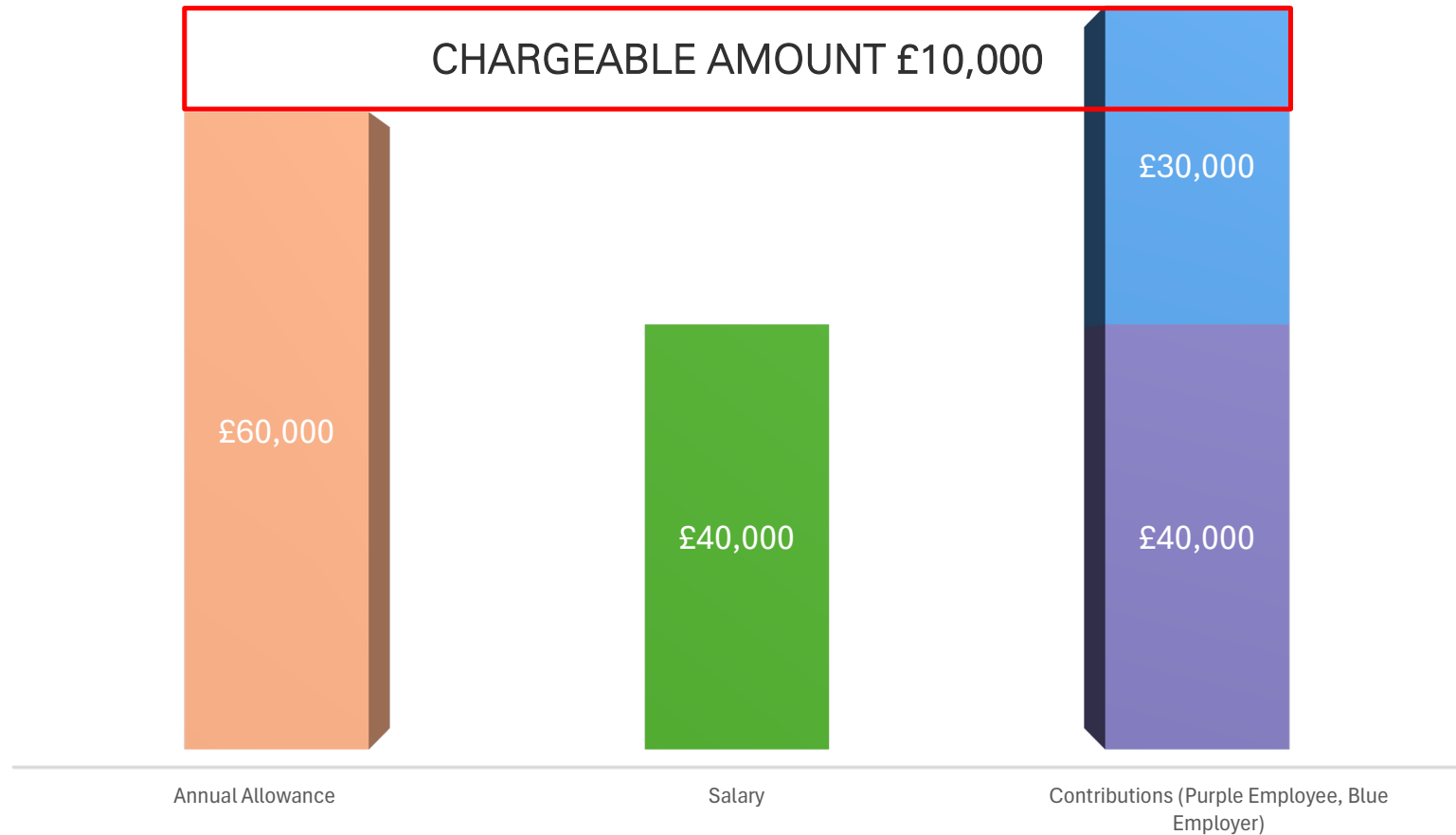


M
&G

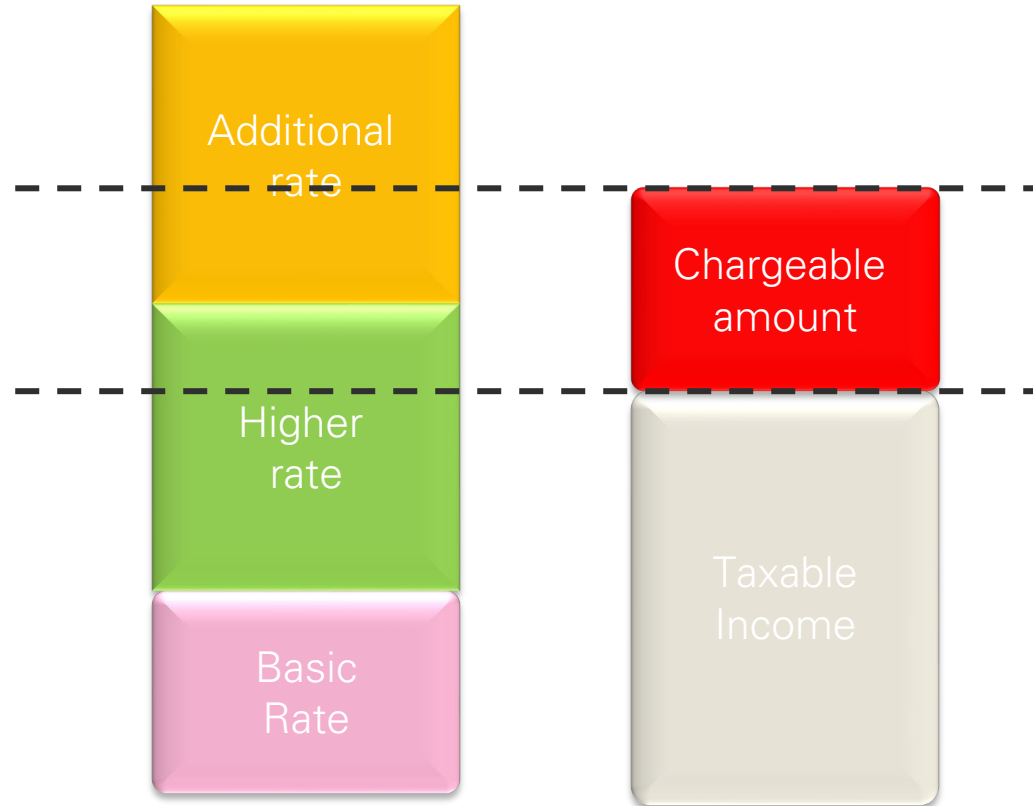
Exceeding the
AA and any
available Carry
Forward

Tax charges looming...

Exceeding the allowance



The tax charge

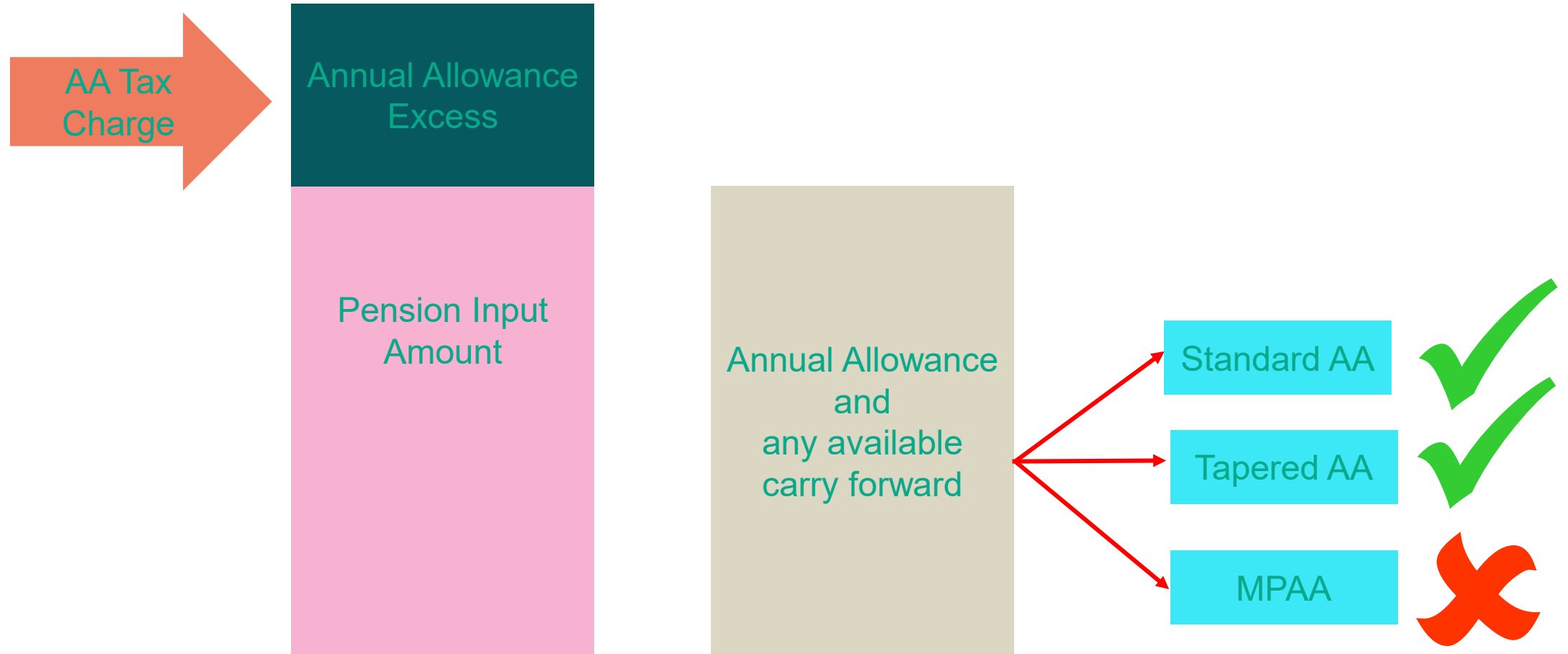




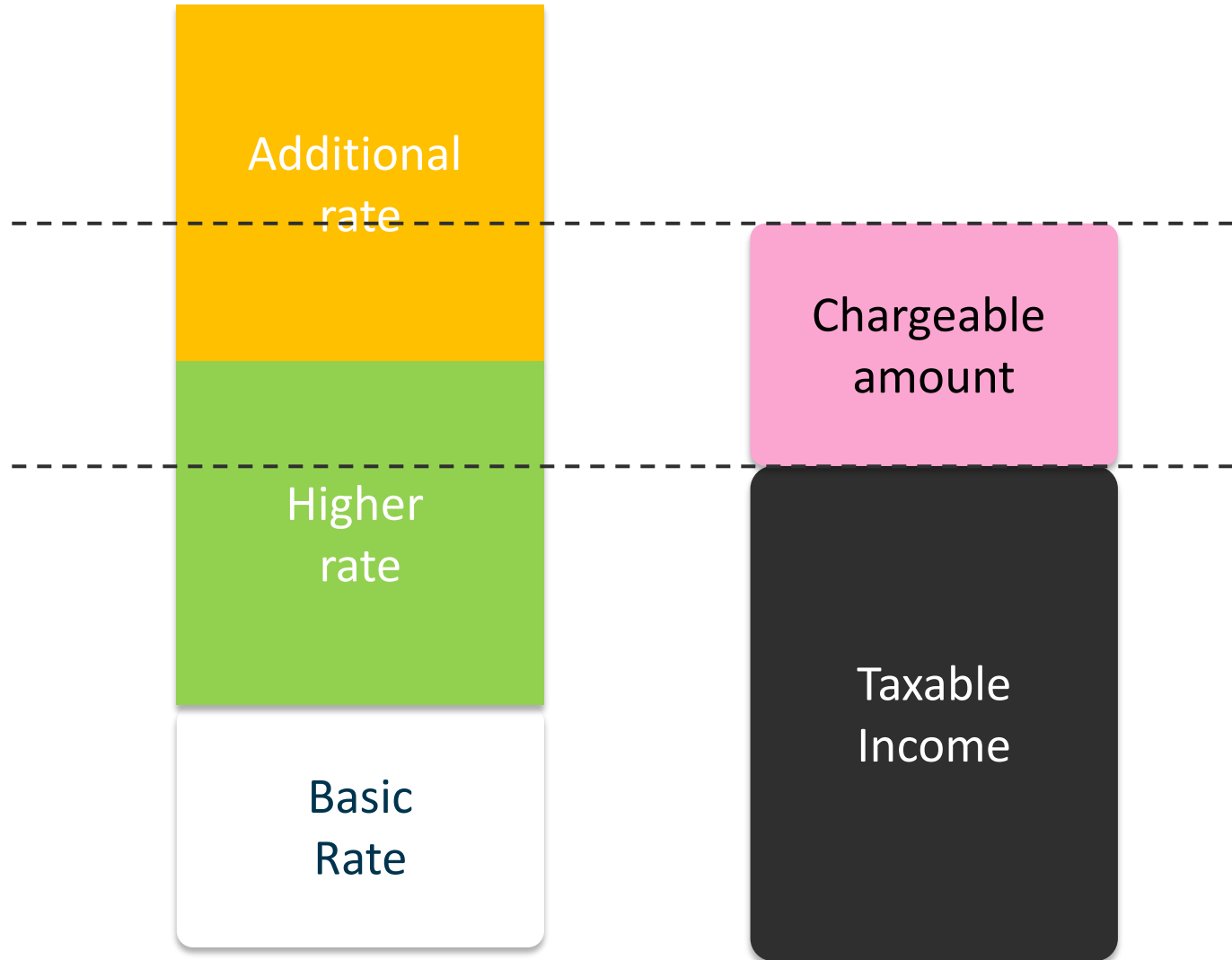
Scheme Pays

Saving from your bank account, but
will cost your pension

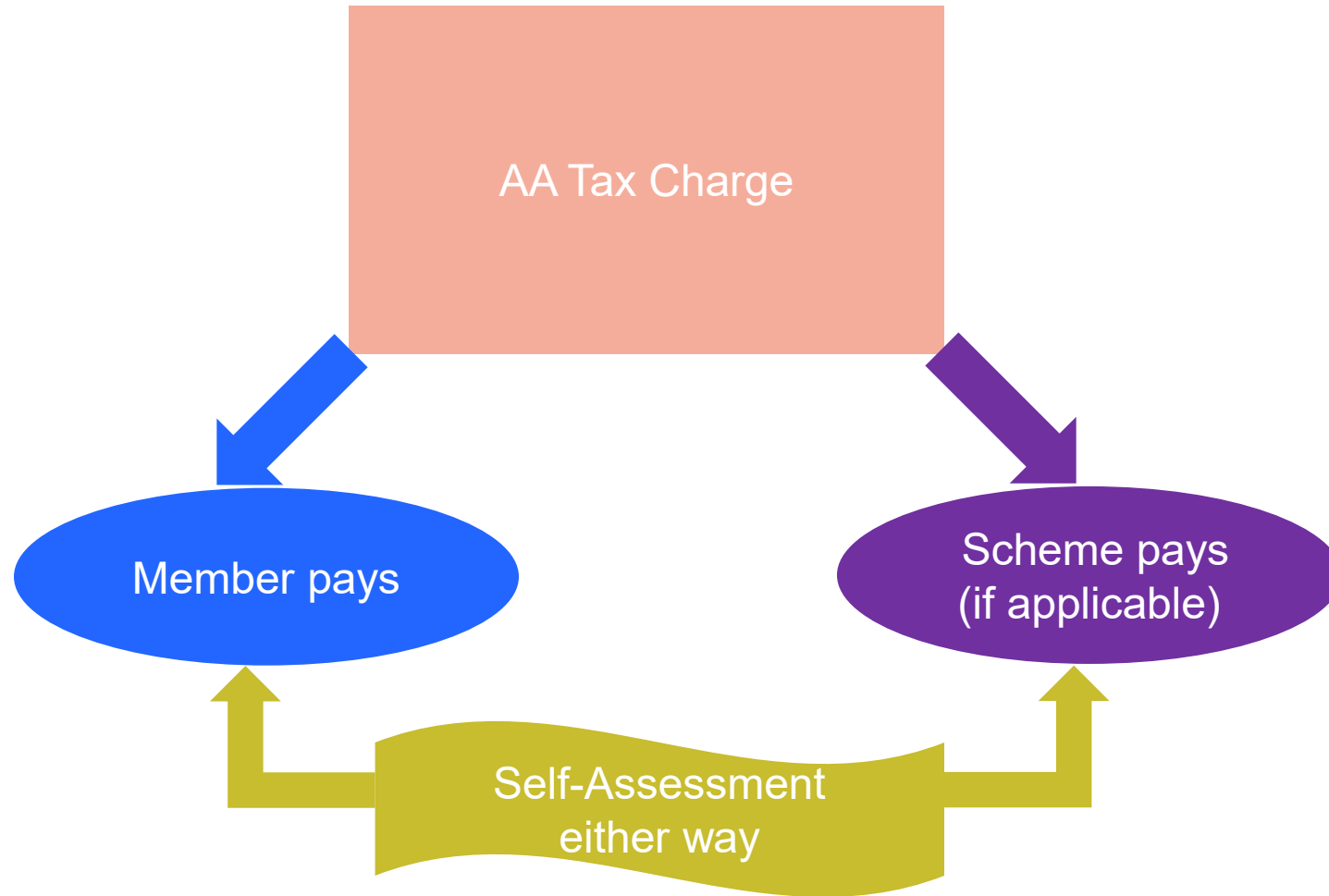
So why have Scheme Pays?



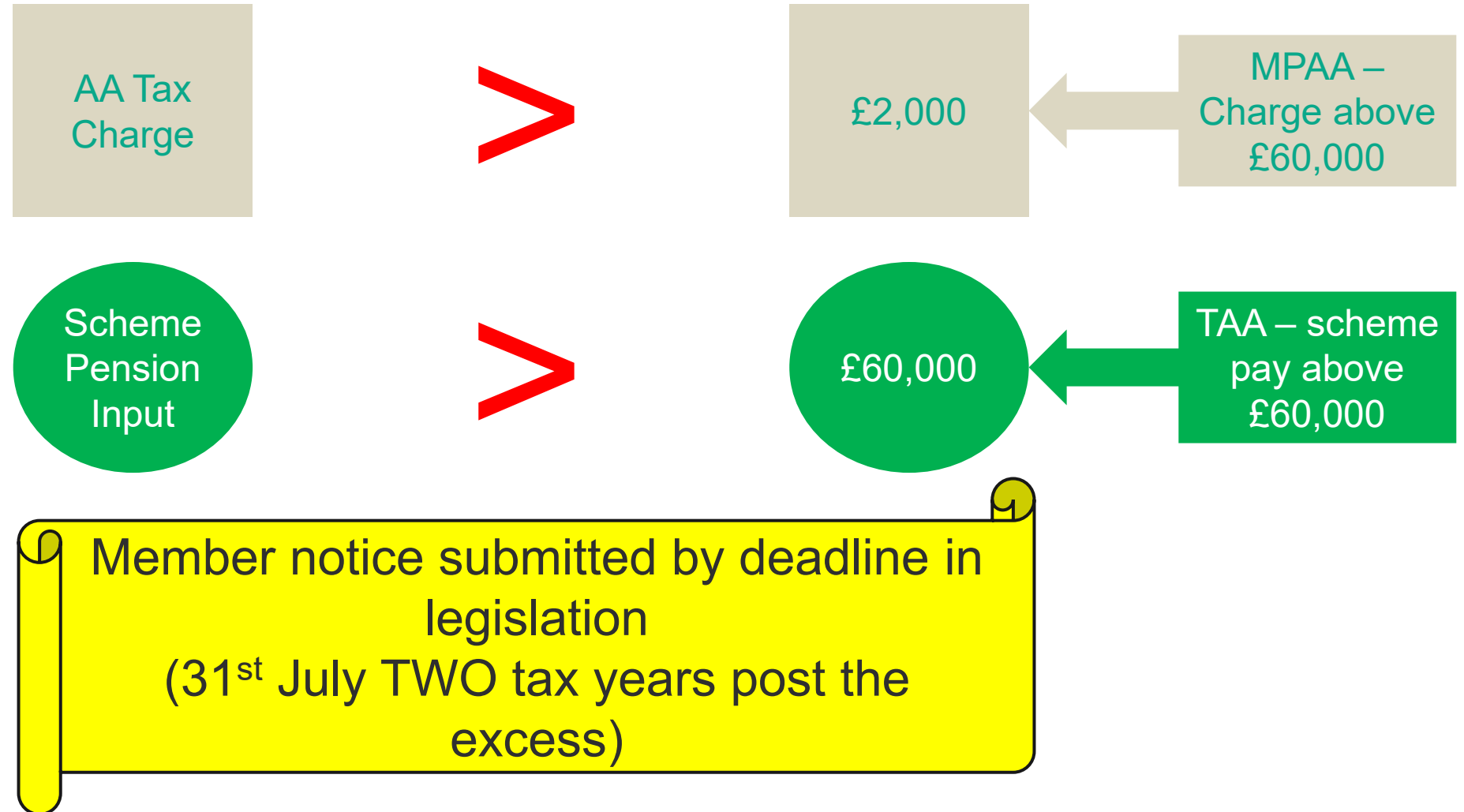
The tax charge



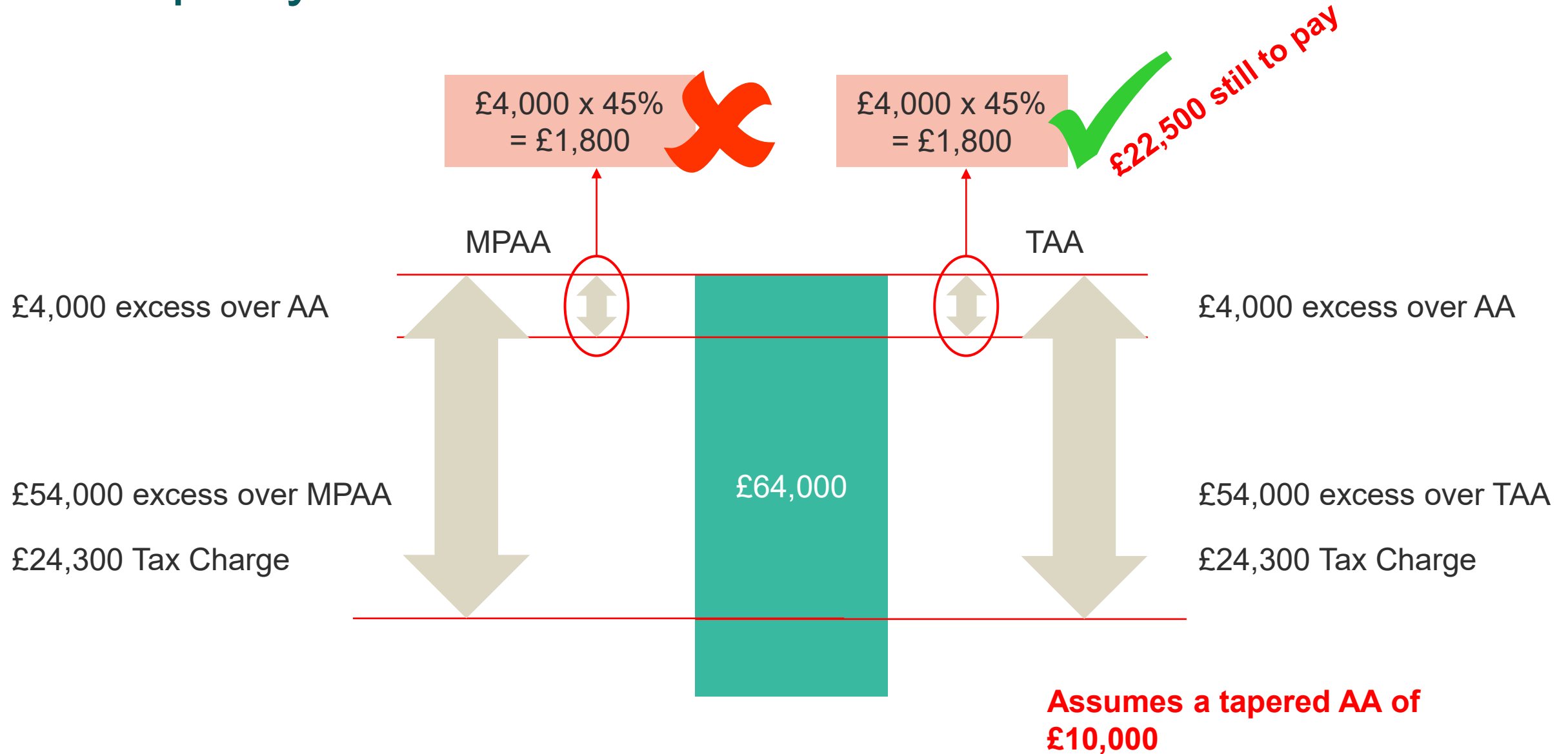
So who pays the charge?



Mandatory Scheme Pays

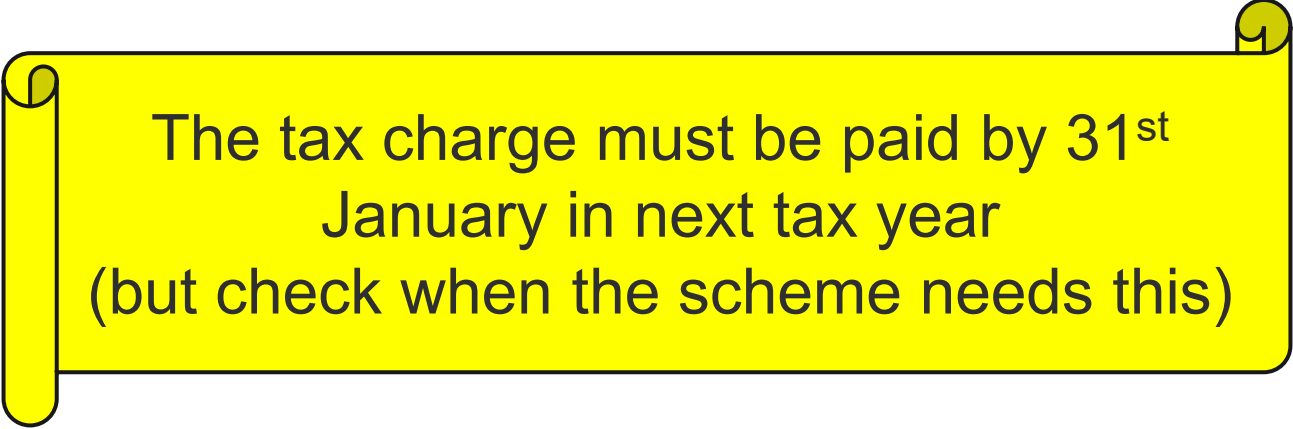


The quirky bits



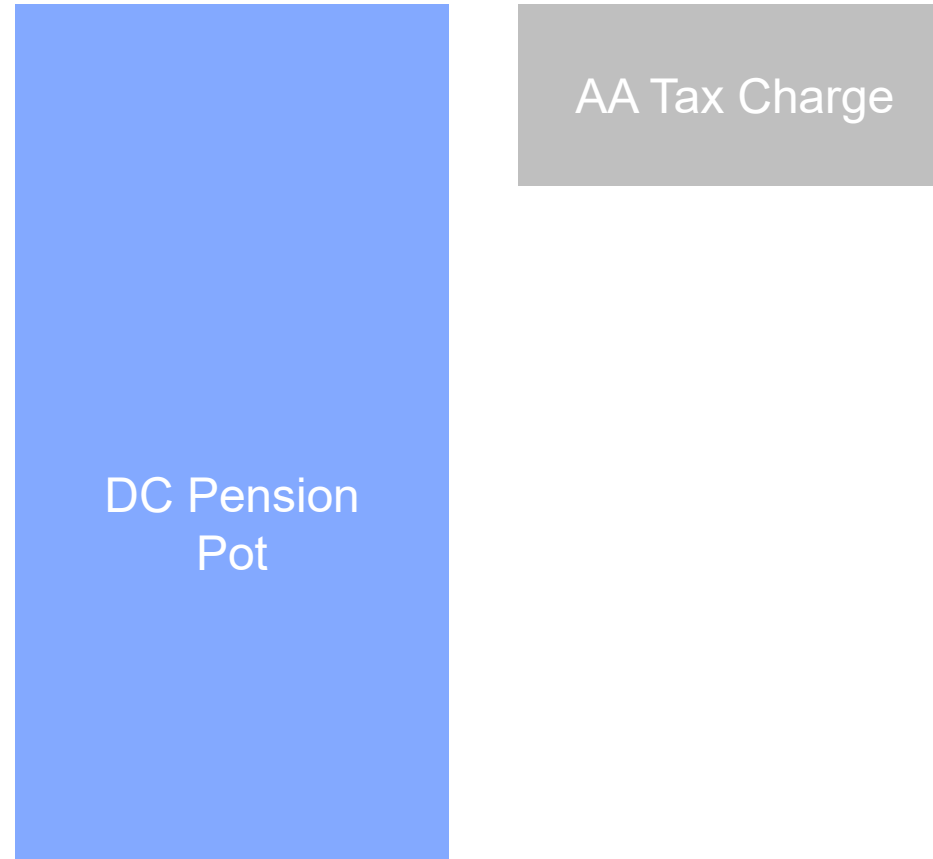
Voluntary Scheme Pays

Only condition is the scheme must “volunteer”!

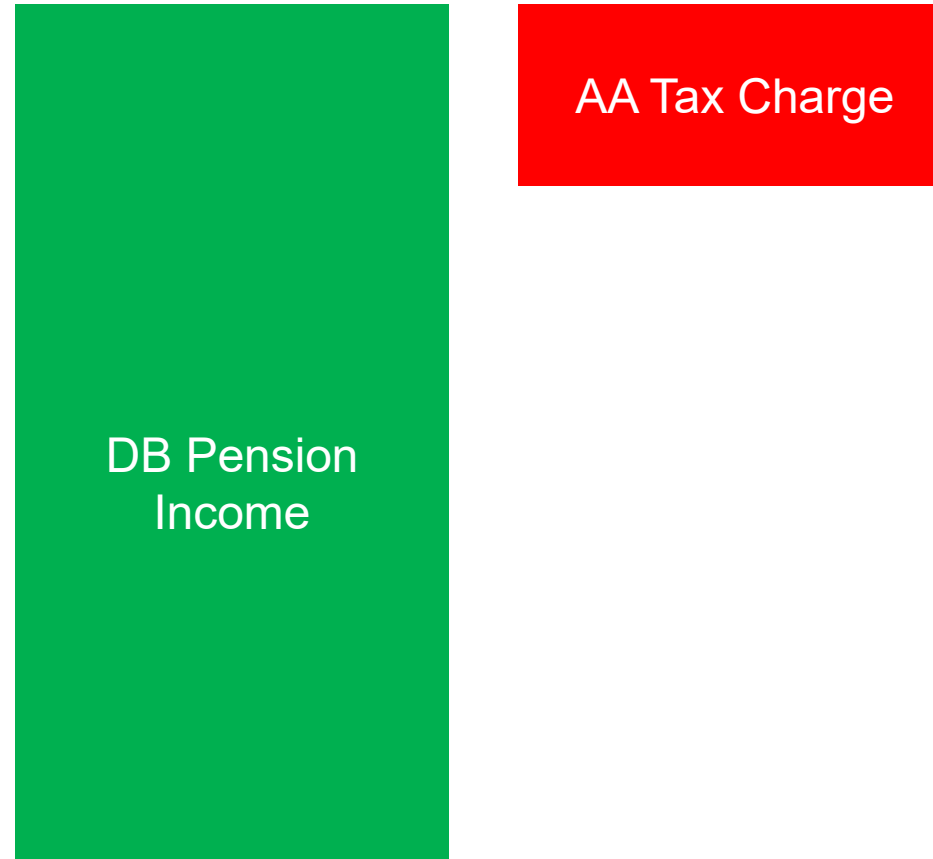
A yellow rectangular callout box with rounded corners and a black border. It has a small yellow circle at the top right corner and a small yellow circle at the bottom left corner, giving it a scroll-like appearance.

The tax charge must be paid by 31st
January in next tax year
(but check when the scheme needs this)

What the scheme does after paying the charge



What the scheme does after paying the charge



Planning matters

Do you just stop at the AA?

£100k
salary

Employer 6%

Employee 6%
Employer 6%

Employee 6%
Employer 12%

Pension
Fund

£6,000

£12,000

£18,000

Pension Fund less
40% AA Charge

£3,600

£7,200

£10,800

Net cost
40% taxpayer – **Scheme Pays**

£0

£3,600

£3,600

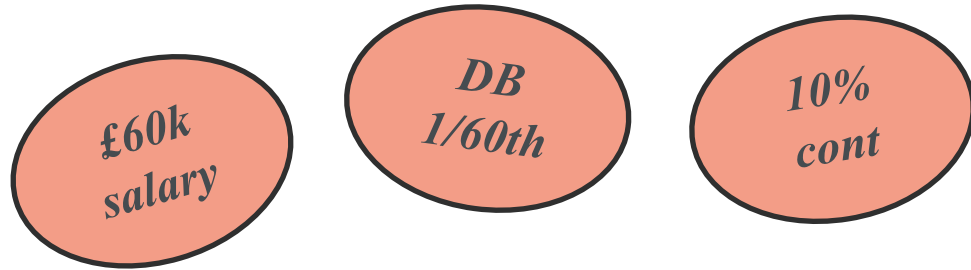
Pension taken in
Basic Rate (25% PCLS)

£3,060

£6,120

£9,180

Do you just stop at the AA?



Pension Accrued	$60,000/60 = £1,000$	Deduction (20:1)	$£6,400/20 = £320$
AA used	£16,000	Pension after AA charge	$£1,000 - £320 = £680$
AA charge 40%	£6,400	Net cost	$£6,000 - 40\% = £3,600$
		Net cost Member Pays	£10,000

Introducing

Peter

Peter is in his early 50's in a well-paying job. The Tapered AA is now an issue for him, and he wants to know his options.

- Contractual Salary of £285,000
- Personal net pay pension contributions of £10,000 per annum
- Employer matches on a 2:1 basis (£20,000)
- Total PIA is £30,000
- Tapered AA based on this is £37,500



Case study: Peter



“Salary” **£285,000**



Personal net pay
contributions **£10,000**



Employer Contributions
£20,000



£7,500 of AA Left



Employer makes extra
payment of **£7,500**



(Uses all available AA?)

It depends on how you do it

Tapered Annual Allowance Calculations built by M&G

Instructions:

Input relevant figures in white boxes. Tapered Allowance will be calculated where relevant.

For income definitions see Pensions Tax Manual - PTM057100

Total Inputs
£30,000

AA Excess
£0

Total Income
(please remember to deduct net pay contributions from this figure)

Allowable Reliefs

Net Pay Contributions
(including any s226 contributions)

Relief at Source contributions (Gross)

Value of employer pension contributions

Employer Pension Contributions to Money Purchase

Total DB Pension Input Amount for year

Total gross employee contribution to DB scheme(s) included above

Employment Income given up post 09/07/15

Taxable Lump Sum Death Benefits (Gross Value)

Warning, once you have calculated the remaining AA for the member be aware that any further contributions may change the tapered calculation.

For instance if the employer is planning to contribute the remaining AA for a member, the contribution they can make will be two thirds of the remaining AA that has been calculated.

2025/26 Tax Year

	Adjusted Income	Threshold Income
£275,000.00	£275,000	£275,000
	-	-
£0.00	£0	£0
	+	
£10,000.00	£10,000	
		-
£0.00		£0
	+	
£27,500.00	£27,500	
	+	
£0.00	£0	
	-	
£0.00	£0	
		+
£0.00		£0
	-	-
£0.00	£0	£0
	£312,500	£275,000
	Yes	Yes

Is the Taper Triggered?
Annual Allowance for 2025/26

Yes
£33,750

Reset

Total Inputs
£37,500

AA Excess
£3,750

Case Study: Peter



“Salary” **£285,000**



Personal net pay
contributions **£10,000**



Employer Contributions
£20,000



£7,500 of AA Left



Has **£67,500** carry
forward



£75,000 of RAS payment
made gross (**£60,000** net)



(Uses all available AA?)

It depends on how you do it

Tapered Annual Allowance Calculations
built by M&G

Instructions:
Input relevant figures in white boxes. Tapered Allowance will be calculated where relevant.
For income definitions see Pensions Tax Manual - PTM057100

Total Income (please remember to deduct net pay contributions from this figure)	<input type="text" value="£275,000.00"/>	Adjusted Income £275,000	Threshold Income £275,000
Allowable Reliefs	<input type="text" value="£0.00"/>	-	-
Net Pay Contributions (including any s226 contributions)	<input type="text" value="£10,000.00"/>	+	+
Relief at Source contributions (Gross)	<input type="text" value="£75,000.00"/>	£10,000	-
<u>Value of employer pension contributions</u>			
Employer Pension Contributions to Money Purchase	<input type="text" value="£20,000.00"/>	+	£75,000
Total DB Pension Input Amount for year	<input type="text" value="£0.00"/>	£20,000	+
Total gross employee contribution to DB scheme(s) included above	<input type="text" value="£0.00"/>	+	£0
Employment Income given up post 09/07/15	<input type="text" value="£0.00"/>	£0	-
Taxable Lump Sum Death Benefits (Gross Value)	<input type="text" value="£0.00"/>	-	-
		£0	£0
		£305,000	£200,000
		Yes	No
		Is the Taper Triggered?	No
		Annual Allowance for 2025/26	£60,000
		Reset	

Warning, once you have calculated the remaining AA for the member be aware that any further contributions may change the tapered calculation.

For instance if the employer is planning to contribute the remaining AA for a member, the contribution they can make will be two thirds of the remaining AA that has been calculated.

£7.5k left this year

Had £67.5k carry forward

Makes £75k RAS contribution

Threshold Income now £200k

NO Taper = £22.5k extra AA

£22.5k extra can be employee or employer, this won't affect threshold.

If only there was an easy way to do this...

Annual Allowance Calculator

built by M&G

What tax year did individual first join a pension?
a member prior to 2003/04 tax year select 2003/04

2003/04

Instructions for use
Step 1: Input tax year first joined a pension scheme.
Step 2: Calculate tapered AA if applicable using grey button on right hand side.
Step 3: Input existing pension input amounts in white boxes. Inputs are required until there is a clear year with no AA to cover.

2003/04 to 2010/11 - Inputs are capped at £50,000 for Carry Forward calculations

Straddling PIPs - if total inputs are less than or equal to £50,000 then put all in or part 14/10/2010.
If total inputs are over £50,000 then you need to enter the pro and part 14/10/10 split of inputs.

Total inputs for PIPs ending in Tax Year:

Existing Inputs	
2003/04	£ -
2004/05	£ -
2005/06	£ -
2006/07	£ -
2007/08	£ -
2008/09	£ -
2009/10	£ -
2010/11	£ -
2011/12	£ -
2012/13	£ -
2013/14	£ -
2014/15	£ -
2015/16	£ -
2016/17	£ -
2017/18	£ -
2018/19	£ -
2019/20	£ -
2020/21	£ -
2021/22	£ -
2022/23	£ -
2023/24	£ -
2024/25	£ 130,000.00
2025/26	£ -

Inputs prior to 14/10/2010

Inputs on or after 14/10/2010

Inputs prior to 09/07/15

Inputs on or after 09/07/15

Tapered Annual Allowance Details

Input the taper figures here if known - or select relevant tab(s) to calculate.

Please only use these if you are not using the Tapered AA Calculations tab to work out the annual allowance.

Reset Summary

Summary Information

Existing Inputs

Annual Allowance	£60,000
Total Inputs	£0
Unused allowance from this year	£60,000

Carry Forward available from:

2022/23	£10,000	
2023/24	£30,295	
2024/25	£0	£40,295

Maximum Allowance Remaining This Year

£100,295

Chargeable Amount

£0

See Carry Forward Working for summary or full calculations

Tapered Annual Allowance Calculations

built by M&G

Instructions:
Input relevant figures in white boxes. Tapered Allowance will be calculated where relevant.
For income definitions see Pensions Tax Manual - PTM057100

Total Income
(please remember to deduct net pay contributions from this figure)

Allowable Reliefs

Net Pay Contributions
(including any s226 contributions)

Relief at Source contributions (Gross)

Value of employer pension contributions

Employer Pension Contributions to Money Purchase

Total DB Pension Input Amount for year

Total gross employee contribution to DB scheme(s) included above

Employment Income given up post 09/07/15

Taxable Lump Sum Death Benefits (Gross Value)

Warning, once you have calculated the remaining AA for the member be aware that any further contributions may change the tapered calculation.

For instance if the employer is planning to contribute the remaining AA for a member, the contribution they can make will be two thirds of the remaining AA that has been calculated.

2025/26 Tax Year

	Adjusted Income	Threshold Income
Total Income	£0	£0
Allowable Reliefs	£0	£0
Net Pay Contributions	£0	-
Relief at Source contributions (Gross)	£0	£0
Value of employer pension contributions	£0	£0
Employer Pension Contributions to Money Purchase	£0	£0
Total DB Pension Input Amount for year	£0	£0
Total gross employee contribution to DB scheme(s) included above	£0	£0
Employment Income given up post 09/07/15	£0	£0
Taxable Lump Sum Death Benefits (Gross Value)	£0	£0
Is the Taper Triggered?	No	No
Annual Allowance for 2025/26	£60,000	£60,000

Reset

Learning objectives

Hopefully, you are now able to:



Describe the
operation of the
annual allowances



Calculate someone's
available annual
allowances



Explain the taxation
of annual allowance
excesses



Question time

Yes you will get a copy of the slides
and CPD



Thank you

M &G

 www.linkedin.com/groups/12749123/

 www.mandg.com/wealth/adviser-services/tech-matters