Carry forward case studies

Read our case studies to understand how carry forward of unused annual allowance works in practice.

ROYAL LONDON

Case study 1: **Sam**

About Sam

- Sam has his own limited liability company. In 2026/27, he'll pay himself a salary of **£5,000** and take dividends of **£95,000**.
- He took out a personal pension plan on 1 August 2012 and has been saving **£1,200** per month in employer contributions ever since.
- He has no other retirement savings and wants to make a substantial single contribution before the end of the 2026/27 tax year.

Sam wants to know how much he can contribute without triggering an annual allowance charge. He hasn't triggered the money purchase annual allowance and the tapered reduction of annual allowance for people with high income doesn't apply.

How much can Sam carry forward?

The table below shows the relevant tax years and what annual allowance is available. Any unused annual allowance from prior to the 2023/24 tax year is lost as it is only possible to carry forward unused annual allowance from the previous 3 tax years.

Tax year	Annual allowance	Total contributions	Carry forward available	Carry forward used	Carry forward remaining
2023/24	£60,000	£14,400	£45,600	£0	£45,600
2024/25	£60,000	£14,400	£45,600	£0	£45,600
2025/26	£60,000	£14,400	£45,600	£0	£45,600
2026/27	£60,000	£14,400*	£45,600	£0	£45,600
				Total	**£182,400**

*It is assumed the regular contributions continue until the end of the tax year.

Further contributions of £182,400 can be made before the end of the tax year without an annual allowance tax charge applying.

If Sam decided to make an employer contribution of up to this amount, this would receive corporation tax relief if the 'wholly and exclusively' conditions are met. However, if he decided to make tax-relievable personal contributions, he would be limited to £5,000 gross (100% of Sam's salary).

As his income is exactly £100,000, he hasn't lost his personal allowance. The tapered annual allowance doesn't apply as his threshold income is below £200,000.

Case study 2: **Amy**

About Amy

- Amy is the Finance Director of a large manufacturing company earning **£270,000** in the 2026/27 tax year.
- Since taking out her personal pension plan in May 2010, Amy's employer has been making occasional single contributions. Amy doesn't have any other retirement savings.
- She wants to make a substantial contribution before the end of 2026/27 tax year.
- Amy has no other taxable income for the 2026/27 tax year.

Amy wants to know how much she can contribute without triggering an annual allowance charge. She hasn't triggered the money purchase annual allowance and the tapered reduction of annual allowance for people with high incomes hasn't applied to her in previous years but could this year as her earnings are £270,000.

How much can Amy carry forward?

The table below shows the relevant tax years and what annual allowance is available. Any unused annual allowance from before the 2023/24 tax year is lost as it is only possible to carry forward unused annual allowance from the previous 3 tax years.

Tax year	Annual allowance	Total contributions	Carry forward available	Carry forward used	Carry forward remaining
2023/24	£60,000	£41,600	£18,400	£0	£18,400
2024/25	£60,000	£22,200	£37,800	£0	£37,800
2025/26	£60,000	£22,800	£37,200	£0	£37,200
2026/27	£60,000*	£0	£60,000	£0	£60,000
				Total	**£153,400**

*If Amy makes a personal contribution of £153,400 this will reduce her threshold income to £116,600. This means her annual allowance will be £60,000 for 2026/27 as the taper will not apply.

The payment of £153,400 is within her earnings for the tax year and will receive tax relief at her marginal rate of income tax. She won't regain all of her personal allowance as her earnings will still be over £100,000 for income tax purposes.

Case study 3: **Brian**

About Brian

- Brian is a partner in an accountancy firm and will earn **£140,000** in the 2026/27 tax year.
- He's been making occasional single contributions into a personal pension plan since September 2017.
- He's never been a member of any other pension scheme and now wants to make a substantial single contribution before the end of the 2026/27 tax year.
- Brian has used carry forward previously – the last time being in the 2023/24 tax year.

Brian wants to know how much he can contribute without triggering an annual allowance charge. He hasn't triggered the money purchase annual allowance and the tapered reduction of annual allowance for people with high income doesn't apply.

How much can Brian carry forward?

The table below shows the relevant tax years and what annual allowance is available. Any unused annual allowance from before the 2023/24 tax year is lost as it is only possible to carry forward unused annual allowance from the previous 3 tax years.

Tax year	Annual allowance	Total contributions	Carry forward available	Carry forward used	Carry forward remaining
2022/23	£40,000	£20,000	£20,000	£0	£20,000
2023/24	£60,000	£80,000	£0	£20,000	£0
2024/25	£60,000	£35,000	£25,000	£0	£25,000
2025/26	£60,000	£20,000	£40,000	£0	£40,000
2026/27	£60,000	£25,000	£35,000	£0	£35,000
				Total	**£100,000**

After paying the single contribution of £25,000, a further personal contribution of up to £100,000 can be paid before the end of the tax year without an annual allowance charge applying. This total contribution is within Brian's earnings so will be eligible for tax relief.

Case study 4: **Charlie**

About Charlie

- Charlie owns an electrical business and his earnings in 2025/26 (£400,000) and 2026/27 (£450,000) are high enough to trigger the tapered annual allowance.
- He's been making regular annual single contributions into a personal pension plan since December 2017.
- He's never been a member of any other pension scheme and now wants to make a substantial single contribution before the end of the 2026/27 tax year.
- Charlie has used carry forward previously the last time being in the 2025/26 tax year.

Charlie wants to know how much he can contribute without triggering an annual allowance charge. He hasn't triggered the money purchase annual allowance.

How much can Charlie carry forward?

The table below shows the relevant tax years and what annual allowance is available.

In 2025/26 Charlie's annual allowance was subject to a tapered reduction because of his earnings. In 2026/27 his projected earnings will also result in a tapered annual allowance.

Tax year	Annual allowance	Total contributions	Carry forward available	Carry forward used	Carry forward remaining
2022/23	£40,000	£20,000	£20,000	£5,000 from 2025/26	N/A for 2026/27
2023/24	£60,000	£50,000	£10,000	£5,000 to 2026/27	£5,000
2024/25	£60,000	£35,000	£25,000	None	£25,000
2025/26	£10,000	£15,000	-£5,000	None	None
2026/27	£10,000	£15,000	-£5,000	None	None
				Total	**£30,000**

There's an excess over the annual allowance in 2025/26 of £5,000. However, going back 3 tax years to 2022/23, there's unused annual allowance of £20,000, £5,000 of which can be used to cover the excess in 2025/26.

Then in 2026/27, the unused annual allowance from 2022/23 drops out of the calculation as it's too early to be used in 2026/27. There is no unused annual allowance available from 2025/26.

Charlie can therefore pay another £30,000 without an annual allowance charge, on top of the £15,000 he has already paid in this tax year.

Care should be taken where the tapered annual allowance applies. It would seem logical that he has sufficient earnings to cover a £45,000 personal contribution if he is caught by the taper, but is that correct? The "income" definition for the tapered annual allowance includes income from a variety of sources, including investment income. He'll need to have relevant UK earnings, that is employment income, not investment income or dividends, of at least £45,000 in 2026/27 to get tax relief on the total contributions paid. Alternatively he could arrange for an employer contribution to be paid by his company, which would not need to be supported by earnings, however it would have to pass the wholly and exclusively test for his company to get corporation tax relief on the contributions.

Carry forward template

Here are some things you need to consider when working out if carry forward applies to your clients.

- What contributions have already been made this tax year?
- Individual contributions need to be supported by sufficient earnings in the tax year.
- Does the money purchase annual allowance apply?
- Does the tapered annual allowance apply?

Tax year	Annual allowance	Total contributions	Carry forward available	Carry forward used	Carry forward remaining

If the money purchase annual allowance applies, it's not possible to carry forward unused annual allowance to a defined contribution plan. Contributions to a defined contribution scheme must be limited to £10,000 to avoid an annual allowance charge.

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