



THE CHURCH
OF ENGLAND
PENSIONS BOARD

Annual Allowance

April 2023

You have a tax-free limit on how much you can save or earn in a pension each tax year. This is called your Annual Allowance.

If you go over this, you usually have to pay a tax charge.

What is the Annual Allowance cap?

Currently you can pay or save up to £60,000 each tax year (or 100% of your taxable earnings if this is less than £60,000) into a pension and get tax relief. This is your Annual Allowance.

This cap applies to all your pensions combined, not just pensions you have with us.

Working out how much Annual Allowance you have used is not straightforward. How much you use depends on what type of pension you have.

If you have used more than £60,000 during the tax year you might have to pay tax. If you go above this with us, we will contact you.

Contact us



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If your taxable earnings from all sources are above £260,000 your Annual Allowance will be less than £60,000. Read our Tapered Annual Allowance leaflet to find out more.

Annual Allowance works differently depending on which type of pension you have with us.

How does it work for defined benefit schemes?

The defined benefit rules apply if your pension is with:

- Clergy pension scheme
- Defined Benefit or Pension Builder Classic section of CWPF
- Defined Benefit section of CAPF

To work out how much Annual Allowance you have used in a defined benefit scheme, we look at how much your pension has gone up by over the tax year, allowing for inflation, and we multiply this amount by 16.

If your pension comes with an automatic tax-free lump sum, or you have paid Additional Voluntary Contributions, we add these on too.

Working this out can be very complicated. Ask us and we can work this out for you.

What about defined contribution schemes?

The defined contribution rules apply if you are a member of our defined contribution section of CAPF.

This is easier to work out. It is the amount both you and your employer has contributed over the tax year.

You do not need to include any investment returns or transfers in from other pensions. It can be tough to remember how much you and your employer has paid during the year, so ask us and we can let you know.

Key takeaways

Here are the key points to remember:

- **You can earn or save up to £60,000 across all your pensions, each tax year**
- **If you earn more than £260,000 a year your allowance will be less than this**
- **If you take certain pensions flexibly, you will trigger the Money Purchase Annual Allowance and how much you can earn or save each tax year will change**
- **If you go over your allowance you usually have to pay tax on the excess**
- **You can use unused allowance from previous tax years to cover or reduce any tax bill**
- **It is your responsibility to check how much allowance you have used**
- **You need to pay any tax charge yourself by completing a self-assessment tax charge**



What about Pension Builder 2014?

This is slightly different. While you are an active member, we look at how much your account has gone up during the year, allowing for bonuses and inflation.

If you are no longer saving into your account, if your bonus is more than inflation you will use up some of your Annual Allowance.

How will I know if I go over my Annual Allowance?

If you go over your Annual Allowance with us, we will let you know by October the following year. Your other pension providers will do the same.

As your Annual Allowance cap applies to all your pensions, you might use up different amounts with more than one pension and go over your annual limit without anyone telling you. It is down to you to keep track of how much Annual Allowance you use.

Will I have to pay tax?

If you go over your Annual Allowance you usually have to pay tax on the excess. For example, if your Annual Allowance for the tax year is £60,000 but you save £62,000, you only need to pay tax on the £2,000 you go over it by.

The charge is taxed as income, so a high tax charge might push you into a higher income tax band.

You can pay the tax by completing a self-assessment tax return and filling in the 'pensions savings tax charges' section. It is your responsibility to pay this. Fill out a tax return at www.gov.uk/self-assessment-tax-returns

If your tax charge is more than £2,000 you can ask us to pay this for you out of your pension. Find out more about this in our Scheme Pays leaflet.

Using your unused Annual Allowance from previous years

Your Annual Allowance resets each tax year. If you have not used all your allowance this carries over, but only for three years. This is called your 'carry forward'.

You can use your unused Annual Allowance from the last three tax years to reduce to even get rid of your tax charge. Ask us how much carry forward you have from your pension with us.

You cannot carry forward unused Annual Allowance if you have triggered the Money Purchase Annual Allowance.

This leaflet reflects our understanding of current legislation and practice. You should always talk to a financial or legal adviser if you need specific guidance or advice.