SEI MASTER TRUST

Annual Allowance

factsheet

Introduction

HM Revenue & Customs (HMRC) currently allows you to put all of your gross taxable earnings (or £3,600 if this is greater) towards pension benefits. You get income tax relief on your contributions, subject to an annual allowance, which is £60,000 for the 2024/25 tax year. Special rules apply to your annual allowance if you are either a high-income individual or have started to take your pension benefits through flexible access (see page 2 for more details).

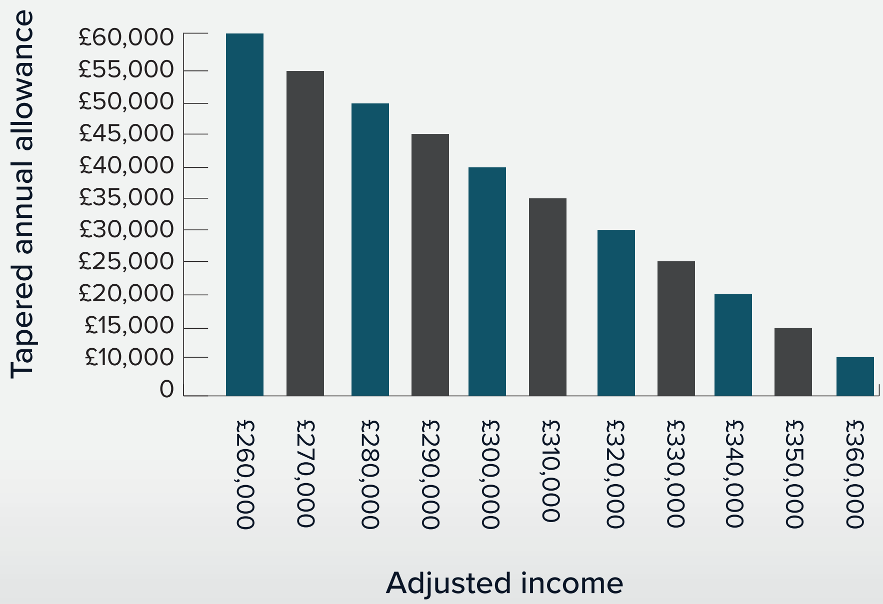
Summary of allowances:

Annual allowance

For tax year 2024/25, the standard annual allowance is £60,000.

Tapered annual allowance

High-income individuals who earn over £260,000 may have their annual allowance reduced by £1 for every £2 of your entire income plus pension contributions (over a certain period) is in excess of £260,000, up to a maximum reduction of £50,000. This means the Annual Allowance of £60,000 reduces for those with adjusted incomes between £260,000 and £360,000 to a minimum annual allowance of £10,000 for those with an adjusted income over £360,000. This is called the tapered annual allowance. The graph below shows how the tapered annual allowance works.



Money purchase annual allowance

If you have already flexibly accessed your pension savings from another defined contribution pension scheme like SEI, you are subject to the money purchase annual allowance of £10,000 (from the 2024/25 tax year). Any money purchase pension savings in excess of the money purchase annual allowance will be subject to an annual allowance tax charge. You cannot carry forward any unused allowance from previous years to offset this charge.

Your contributions and the annual allowance

If your pension contributions, plus any made by your employer, are more than £60,000 in any tax year, you'll exceed the annual allowance. The annual allowance applies across all pension schemes you are a member of, not just SEI. However, you may be able to carry forward any unused annual allowance that you have from the three previous tax years to cover pensioncontributions over £60,000. If you do not have enough unused annual allowance available then you would need to pay tax on the excess contributions at your marginal rate.

High income and the annual allowance

If you are a high-income individual because your taxable income exceeds £200,000 and the combined total of your taxable income plus total pension contributions exceeds £260,000, your annual allowance is likely to be reduced below £60,000 under the 'tapered annual allowance' rules. Your annual allowance will however be at least £10,000 and you will be able to carry forward any unused annual allowance that you have from the three previous tax years to cover pension contributions over your tapered annual allowance. You should take your own professional financial advice if you think that you may be affected by this.

Flexibly accessing your pension and the money purchase annual allowance

You can choose to take your pension benefits flexibly from defined contribution schemes such as SEI. This includes taking an income using drawdown, taking a taxed cash lump sum, or buying certain types of annuity. If you take your benefits in this way, then you'll only receive tax relief on any future savings made to defined contribution type schemes up to the value of £10,000. This is the money purchase annual allowance. It is not possible to carry forward any unused annual allowance from previous tax years if you exceed this allowance, and so you would need to pay tax on any excess contributions over £10,000.

How do you know whether you are affected by the annual allowance?

To work this out, you'll need to know how much you have paid into registered pension schemes over the tax year. You'll also need to add on any contributions your employer, or anyone else, has made on your behalf. If you have any savings in a defined benefit type scheme, you'll need to ask the scheme to confirm the value of your contributions and your employer's contributions, as they are calculated differently from those paid into defined contribution type schemes like SEI. If, when you add all these contributions together, you have more than £60,000, then you will have exceeded the annual allowance.

If you have made savings in multiple schemes, we would strongly recommend that you request statements from each scheme so that you can add these amounts together for all of your schemes, to assess whether your pension savings have exceeded the annual allowance.

What happens if you exceed the annual allowance?

Your contributions (including tax relief) + Any other contributions made on your behalf, e.g. by your employer = Amount of savings to measure against the annual allowance

Even if your total pension savings over the year are more than the annual allowance, you may still not have to pay a tax charge. You can carry forward any annual allowance that you have not used from the previous three tax years. If your unused allowance is more than the amount by which you have exceeded the annual allowance in the current tax year, then you will not be liable for a tax charge and you will not be required to report anything to HMRC.

If you have exceeded the annual allowance, then your pension scheme will give you details of the annual allowance used up in the last three years within that scheme on your Pension Savings Statement.

If you have also exceeded the annual allowance in any previous tax years, then you may also require information on your pension savings made in earlier tax years than the three previous ones that are already displayed within this Pension Savings Statement. This will enable you to accurately calculate your total available carry forward. This information should be available on any previous Pension Savings Statements that you have received.

What if you are still above the annual allowance even after carry forward?

If you have checked and you do not have sufficient unused annual allowance available from previous tax years, then you will be liable to the annual allowance tax charge on your pension savings above the annual allowance.

To find out the amount of your annual allowance charge you first need to work out by how much you have exceeded the annual allowance after you have deducted any unused carry forward annual allowance from the previous three tax years.

This amount is added to your 'reduced net income' (broadly: taxable income following deduction of personal allowances), which will determine whether the excess pension savings will be taxed in whole or in part at 45%, 40% or 20%. Please note that if you are a Scottish rate taxpayer different income tax rates apply in Scotland. There are five rates: 19%, 20%, 21%, 41% and 46%.

Further guidance is available here: **www.hmrc.gov.uk/manuals/ptmanual/ptm056000.htm.**

How do you report the annual allowance charge to HM Revenue & Customs?

You will be responsible for paying any annual allowance charge that is due. You will need to complete a Self-Assessment tax return and you will need to register with HMRC for this if you don't normally complete one. Information about the annual allowance will need to be included within the Additional Information form, SA101. Further guidance is available here: **www.hmrc.gov.uk/helpsheets/hs345.pdf**

The deadline for completion and submission of the Self-Assessment tax return online is normally 31 January following the end of the tax year to which the annual allowance tax charge relates. If it is completed in paper format, the deadline is earlier: it is 31 October following the end of the tax year to which the annual allowance tax charge relates. If you are filing your tax return online, HMRC will automatically work out the amount of the annual allowance tax charge for you based on your marginal rate of income tax.

What options do you have to pay the annual allowance tax charge?

If your total annual allowance charge is more than £2,000 and you have exceeded the standard annual allowance in a particular pension scheme, you are normally able to ask this scheme to pay the annual allowance charge out of your scheme benefits. This is known as 'Scheme Pays'. Your scheme benefits will be reduced as a result. You may choose to pay the tax charge directly to HMRC in which case your scheme benefits will be unaffected.

Your Self-Assessment tax return asks you to confirm whether you are paying the tax directly to HMRC or whether the scheme will be paying it to HMRC on your behalf. However, you normally have until the 31 July following the relevant Self-Assessment filing deadline for the tax year to which the annual allowance charge relates to provide the election form to the scheme. For the 2024/25 tax year, the election would be required by 31 July 2025. The deadline is brought forward if you choose to access benefits, in which case the election would need to be made before your benefits are taken. If you do wish to proceed with 'Scheme Pays', you will be required to sign an election form which will then make the Trustees and yourself jointly liable for that tax charge.

Where can you get more information?

For further information, there is guidance on the annual allowance on the Government's website: **www.gov.uk/tax-on-your-private-pension/annual-allowance.**