



M+A

Partners

## Your 2019/20 Self-Assessment Tax Return and Pensions

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### Pension Contribution Annual Allowance

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There is an annual limit on the amount that can be contributed to your pension each year, while still receiving tax relief. This limit is currently £40,000, but if you have already started drawing a pension a lower limit of £4,000 may apply.

If you **exceed the Annual Allowance** you may have an additional tax charge.

If you have more than one pension arrangement the limit applies across all of them and includes contributions from you, your employer, or anyone else.

If the type of pension scheme to which you are contributing measures your pension in terms of your earnings and length of service, then the £40,000 limit applies to the increase in value of your benefit over the year, rather than to what has been paid as contributions.

If you think you may be affected by this limit please let us know.

**If you receive a Pension Savings Statement or any other correspondence referring to the Annual Allowance from your pension provider it is important to send this to your contact at M+A Partners, so that they can provide you with advice on how this may affect your personal tax position.**

### Tax Relief on Pension Contributions

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Contributions to pension arrangements attract tax relief and some need to be declared in your Self-Assessment tax return.

**There are two common mechanisms by which tax relief is given (below):**

**Net pay arrangement** - Your whole contribution is deducted from your gross earnings before they are taxed, so you only pay tax on the remaining pay. Under this method you automatically receive tax relief at basic or higher rates as appropriate.

**Relief at source** - Your contribution is deducted from your net earnings after income tax. The amount that you pay represents 80% of your contribution and the other 20% is claimed from HM Revenue & Customs, so that the full contribution (100%) is invested in your pension.

This mechanism automatically gives basic rate tax relief, but if you are a higher rate taxpayer (currently earning over £50,000) you can claim additional relief.

## What needs to be included on your Self-Assessment Tax Return?

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If you contribute under the net pay arrangement, we do not need to report the contributions in your tax return but please refer to the information regarding Annual Allowance, as detailed overleaf.

If you contribute under the relief at source mechanism and you already complete a Self-Assessment tax return, we need details of the scheme and all contributions paid in the tax year.

If you are not in Self-Assessment, but do pay tax at 40% on some of your earnings, you can claim additional tax relief. This relief can often be claimed directly with HMRC via telephone.

## Drawing your Pension

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If you draw any benefits from a pension, in part, in total, as cash or as an annuity, please provide us with full details so that we can properly assess the entries required in your tax return and advise you on any tax that you may be able to reclaim.

## Pension Lifetime Allowance

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The Lifetime Allowance is the overall limit of tax privileged pension funds an individual can accrue during their lifetime before a tax charge arises. If the total value of all your pension arrangements exceeded £1.25m on 6 April 2016 it is possible to “protect” that value by making an election. The current limit is £1,055,000 and is set to increase to £1,073,100.

## Need Help?

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If it is not clear what type of contributions you are making, simply provide us with a copy of your payslip showing the contribution deduction and we will be able to advise.

**Should you require more detail or think you may be affected by the information outlined within this factsheet please get in touch with your usual M+A Partners contact.**

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