

**SHARE DEALING**

# Carry forward guide

**Halifax Share Dealing  
Self Invested Personal Pension**

 AJ Bell

the people who give you extra



**keyfacts**

© The Financial Conduct Authority is the independent financial services regulator. It requires us, AJ Bell Management Limited, to give you this important information to help you to decide whether the Halifax Share Dealing SIPP is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.

# Carry forward guide

## What is carry forward?

Carry forward allows savers to contribute more than the annual allowance without incurring tax charges.

Through carry forward, contributions that exceed the annual allowance in one tax year can use up unused annual allowance from the three previous tax years.

Although one of the main purposes of carry forward is to reduce or eliminate annual allowance charges that have inadvertently been incurred, it can also be used to sweep up contributions tax relief that savers have not chosen to, or been able to, use in recent tax years. Contributions can be paid with the purpose of using up the whole annual allowance in the current tax year and the previously unused annual allowance from earlier tax years.

## Who can use carry forward?

In order to carry forward tax relief from an earlier tax year you must have been a member of any registered pension scheme in that tax year. You must also have used up your full annual allowance in the current tax year.

The individual does not need to have been a member of the scheme to which they are planning to make the contribution.

You cannot use carry forward in a money purchase scheme like a SIPP, if you have taken a flexible annuity, any income under flexi-access drawdown, or you have taken an uncrystallised funds pension lump sum.

There is also no requirement for the individual to have made any form of pension contribution in the earlier tax year.

## From how many tax years can carry forward be used?

For most savers tax relief can be carried forward from the three tax years immediately before the tax year in which they are paying their contribution.

So, for someone looking to make a contribution during 2019/20 and use carry forward it is typically possible to use unused allowance from 2016/17, 2017/18 and 2018/19.

The three tax year rule works on a rolling basis. This means that someone who does not choose to make a contribution and carry forward until 2020/21 will lose the ability to carry forward from 2016/17. They will however gain the ability to carry forward from 2019/20.

## What is the maximum amount that can be carried forward from an earlier tax year?

The maximum amount that can be carried forward from any given tax year is £40,000.

This amount is reduced if contributions have been paid in that earlier tax year or in some cases where contributions have been paid in tax years since that earlier tax year.

Using a basic example:

Contributions have been paid to Mr Cannon's pension scheme as follows:

Tax year	Contribution paid	Annual allowance remaining	Cumulative carry forward
2016/17	£100,000	£40,000	£0
2017/18	£20,000	£40,000	£20,000
2018/19	£30,000	£40,000	£30,000

Once Mr Cannon has used up all of his £40,000 annual allowance for the 2019/20 tax year he is able to carry forward up to £30,000 from earlier tax years as well.

## Is there a limit on the tax relief I can receive on carry forward contributions?

Tax relief on personal contributions is limited by an individual's relevant UK earnings in the tax year in which the contribution is paid. This applies both to contributions where carry forward is a factor and those where it is not. This means that, for personal contributions, it is the earnings in the tax year of payment which are important, not the earnings from the tax year from which you are carrying forward.

For example someone with relevant UK earnings of £140,000 in 2019/20 but no relevant earnings from previous tax years because they had been living overseas would receive tax relief on personal carry forward contributions

Alternatively an individual with relevant UK earnings of £40,000 in each of the last four tax years would not gain tax relief on personal carry forward contributions.

Tax relief on contributions paid by an individual's employer is not linked to the individual's earnings. Employer contributions can be used for carry forward, but tax relief will be dependent on the contribution being paid wholly and exclusively for the purposes of the business's trade or profession.

## **Can I still use carry forward if I am affected by the tapered annual allowance?**

Yes, if you are subject to the tapered annual allowance, you can still carry forward unused annual allowance from previous tax years.

The amount you can carry forward from 2016/17 onwards may be reduced if you were subject to the tapered annual allowance in that year.

## **Do I need to complete any forms or provide any other information to use carry forward?**

No. There is no requirement to provide any further information or documentation when making a carry forward contribution.

If the annual allowance is exceeded under any single registered pension scheme the administrator of that scheme will provide information about annual allowance usage for that, and the previous three, tax years. This information will enable the saver to confirm that they have made use of carry forward when completing their self-assessment return.

Where an individual has not exceeded the annual allowance through any one scheme but believe they may have done so when all of their pensions are combined, they can request this information from their pension providers.



AJ Bell Management Limited is the Scheme Administrator of the Halifax Share Dealing SIPP. AJ Bell Management Limited is registered in England No. 3948391. Registered Office: 4 Exchange Quay, Salford Quays, Manchester M5 3EE. Authorised and regulated by the Financial Conduct Authority and on the FCA register under FCA register number 211468. Sippdeal Trustees Limited is a wholly owned subsidiary of AJ Bell Management Limited, registered in England No. 4050222. Registered Office: 4 Exchange Quay, Salford Quays, Manchester M5 3EE. Sippdeal Trustees Limited does not conduct any regulated activities, and is, therefore, not regulated.

Dealing and stock broking administration services are provided by Halifax Share Dealing Limited. Registered in England and Wales no. 3195646. Registered Office: Trinity Road, Halifax, West Yorkshire, HX1 2RG. Authorised and regulated by the Financial Conduct Authority under registration number 183332. A Member of the London Stock Exchange and an HM Revenue & Customs Approved ISA Manager.