

Limit on pension contributions for 2023/24

You need to read this if:

- either you, or somebody on your behalf (for example, your employer), has made gross pension contributions of more than £60,000; or
- your income exceeds £260,000 and either you, or somebody on your behalf, has made any pension contributions; or
- you are a member of a defined benefit (final salary) pension scheme, other than one from which you are drawing a pension.

Tax limits on pension contributions

For 2023/24, you can only make tax-deductible pension contributions up to £60,000, (although in some cases the unused contribution capacity from previous years can be carried forward). This £60,000 limit tapers down to £10,000 if and to the extent that your income plus pension contributions exceeds £260,000, so if you have an income of £260,002 and £60,000 pension contributions, you are £2 over the limit and your pension allowance entitlement reduces by £1 to £59,999.

For most pension schemes, it is obvious what contributions have been made: it is the cash or value of other assets that have been paid into the scheme. However, for a final salary scheme, the figure is not so obvious, because the scheme is undertaking to pay you a proportion of your final salary when you retire. If your salary goes up, then the amount of money that the pension scheme is promising to pay also goes up, and that increase gives rise to a deemed “pension input” amount. You will need to ask the pension scheme administrator what this amount is for the tax year.

If these provisions may affect you, please give full details of all the pension contributions made either by you, or on your behalf by somebody else, including details of the pension input amount to any final salary pension scheme.