

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 also provides an opportunity to sweep up unused annual allowance that savers have not chosen, or been able, to use in recent tax years.

This means that 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 unused annual allowance 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.

You do not need to have been a member of the scheme to which you are planning to make the contribution.

You can use carry forward if you are subject to the annual allowance taper but you must have used up your tapered annual allowance in the current tax year first.

For more information, please read our annual allowance tapering guide.

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 you to have made any form of pension contribution in the earlier tax year.

From how many tax years can carry forward be used?

Annual allowance can be carried forward from the three tax years immediately before the tax year in which you are paying your contribution.

So, if you are looking to make a contribution during 2022/23 and use carry forward it is typically possible to use unused allowance from 2019/20, 2020/21 and 2021/22.

The three tax year rule works on a rolling basis. This means that if you do not make a contribution and carry forward until 2022/23 you will lose the ability to carry forward from 2018/19. You will however gain the ability to carry forward from 2021/22.

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

The maximum amount that can be carried forward is £40,000 for each of the 2019/20, 2020/21 and 2021/22 tax years.

This amount is reduced if contributions were paid in these earlier tax years and the annual allowance for the current tax year must be used first.

Here is an example:

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

Tax year	2019/20	2020/21	2021/22
Contribution paid	£100,000	£20,000	£30,000
Annual allowance remaining	£0	£20,000	£10,000
Cumulative carry forward	£0	£20,000	£30,000

Once Mr Cannon has used up all of his £40,000 annual allowance for the 2022/23 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 your 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 the current tax year but no relevant earnings from previous tax years because they had been living overseas could receive tax relief on personal carry forward contributions.

Alternatively, someone 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 your employer is not linked to your 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' trade or profession.

The annual allowance is tapered for high-income individuals (from the 2022/23 tax year, those with an 'adjusted income' of over £240,000 for the tax year and 'threshold income' of over £200,000). For every £2 of adjusted income above £240,000 the annual allowance is reduced by £1. The maximum reduction will be £36,000, meaning that someone with adjusted income of over £312,000 has an annual allowance of £4,000. Between 6 April 2016 and 5 April 2020 the tapered annual allowance thresholds were different. For more information, please read our annual allowance tapering guide.

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 you to confirm that you have made use of carry forward when completing your self-assessment return.

Where you have not exceeded the annual allowance through any one scheme but believe you may have done so when all of your pensions are combined, you can request this information from your pension provider(s).