Broadcast

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FACTSHEET: TIME TO CONSIDER PENSION TOP-UP

SPECIAL ISSUE

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If you are a higher or additional rate taxpayer, now may be a good time to review your pension contributions before the Chancellor delivers the Autumn Budget later this year. There is growing speculation that the government may look to reduce the tax relief available on pension contributions for higher earners possibly even introducing a flat rate of relief for all taxpayers.

Currently, individuals paying into pensions receive tax relief at their marginal rate. That means basic rate taxpayers benefit from 20% relief, while higher rate taxpayers can claim up to 40%, and additional rate taxpayers up to 45%. This generous system has come under review several times over the last decade. Each time, changes were considered but then deferred. However, with continuing pressure on public finances, and a growing focus on fairness and redistribution, the Autumn Budget 2025 may be the moment when this changes.

Why this matters

If tax relief on pension contributions is restricted to a flat rate – for example 25% or 30% – higher rate taxpayers would receive less benefit from contributing to a pension. This could significantly reduce the long-term value of their retirement savings. For example, a £10,000 gross pension contribution currently costs a higher rate taxpayer just £6,000 after tax relief is reclaimed. Under a flat-rate system, the same contribution might cost £7,000 or more, depending on the rate chosen.

A change like this would not affect tax relief already claimed on past contributions. But it would apply to contributions made from the date the policy comes into effect possibly as early as April 2026. That means there may still be time to act now, under the current rules, to maximise your pension funding while higher rate relief remains available.

What you can do now

If you have scope within your annual allowance, and your income supports it, you could consider topping up your pension contributions before the Autumn Budget. This can be particularly effective if:

- You are a higher or additional rate taxpayer
- You have not fully used your annual allowance for the current or previous three years
- You are expecting a bonus or other one-off income
- You are a company director and could make contributions through your limited company

It is also worth checking whether carry forward relief is available. You can bring forward unused annual allowances from the three previous tax years, subject to meeting the usual earnings and contribution rules.

For company directors or business owners, making pension contributions through the business can also have additional corporation tax advantages, and may be worth exploring before rules potentially change.

Let us help you plan

Every individual's situation is different, and pensions are a long-term investment. If you are thinking about making additional contributions, we recommend speaking to us or your regulated financial adviser before taking any action. There may be other factors to consider, such as the Lifetime Allowance (now abolished, but still relevant for past planning), or the impact on other forms of tax relief or income.

We can help

We do not yet know what the Chancellor will announce in the Autumn, but by acting early, you may be able to take advantage of the current system while it lasts. Please contact us if you would like to schedule a pension review or talk through the options available. Call us on **01753 888 211** or email **info@nhllp.com** we are here to help.