

A high-earner pension review: separate the tax tests

Prepared October 2026 | General information, not personal advice

High-earner pension planning requires separate checks of annual allowance, tapered allowance, personal tax relief and benefit limits. Salary alone does not supply every calculation. Gather all pension inputs and current tax-year income figures before considering extra saving. Potential tax advantages must be weighed against access, affordability and the actual rules.

Important risks

Where money is invested, its value and income can fall as well as rise and you may get back less than you invest. No return or retirement outcome is guaranteed.

Tax treatment depends on individual circumstances and may change in the future. A general example does not establish your relief, allowance or tax liability.

General information only, not personalised financial, tax or legal advice. Suitability and available relief depend on your circumstances. Obtain appropriate advice before acting on a product, transfer or legal arrangement.

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Before you begin

Use a calculation schedule with an explicit tax year. Employer contributions and defined benefit growth can be easy to omit when reviewing only payslips. Carry forward addresses a different question from personal contribution relief, and accessing benefits can change future saving limits. Historic protection evidence may still matter. The review should explain each test and its interaction rather than promoting the largest possible contribution as the default outcome.

Terms in plain English

Pension annual allowance

A tax-year measure of pension saving across schemes. It is separate from the limit for tax relief on personal contributions.

Carry forward

Using eligible unused annual allowance from earlier tax years under the relevant rules. It does not automatically increase personal contribution tax relief.

Money purchase annual allowance

A reduced saving limit that can be triggered by certain flexible pension withdrawals. Not every pension payment triggers it.

How do I check whether my pension savings exceed the annual allowance?

For defined contribution schemes, assemble gross personal and employer contributions for the tax year. For defined benefit schemes, request pension input amounts from the administrator rather than substituting payslip deductions. Include every scheme and investigate carry-forward eligibility. The allowance is a tax-charge test, not the same test as the earnings limit for tax relief on personal contributions.

Decision boundary: Using incomplete figures can conceal an annual-allowance charge and reporting obligation. Ask the adviser: Have you included every pension input amount and checked whether my allowance is reduced?

Sources: G01, G02, G03

Can unused pension allowance from previous years help me now?

Create a tax-year schedule rather than adding together unused headline allowances. The current year's allowance and the conditions for using earlier years both matter. Contributions to several schemes can consume the same allowance. Personal tax relief remains subject to a separate earnings test. If you have triggered the money purchase annual allowance, obtain specialist confirmation of the different carry-forward restrictions.

Decision boundary: A large payment based on an assumed unused allowance can create a tax charge or relief problem. Ask the adviser: Which earlier years qualify, and how do the contribution-relief rules differ from carry forward?

Sources: G01, G02, G25

I earn over £100,000. Is my pension annual allowance automatically reduced?

Separate the personal Income Tax position from the pension annual-allowance calculation. Employer contributions, variable bonuses and other income can make the pension tests differ from headline salary. Gather the relevant tax-year figures before considering extra contributions. A high-earner review should explain the calculation, available relief and liquidity trade-offs without promising a particular tax saving.

Decision boundary: Incorrect income definitions can result in an unexpected pension tax charge. Ask the adviser: How have you calculated threshold income and adjusted income for this tax year?

Sources: G01, G02, G03

Will taking pension income restrict what I can pay into pensions later?

Identify whether the proposed payment is taxable flexible income, tax-free cash only, an annuity or another permitted arrangement. Ask the provider for the trigger position before authorising the payment, not afterwards. Include planned employer payments in the assessment. Once triggered, the lower allowance can affect future saving even if you withdraw only a small amount now.

Decision boundary: Triggering the allowance can limit future tax-efficient defined contribution saving. Ask the adviser: Would this particular withdrawal trigger the money purchase annual allowance?

Sources: G01, G03, M03

Does the abolition of the lifetime allowance mean pension tax limits no longer matter?

Separate limits on pension saving from limits on tax-free benefits. Collect protection certificates and evidence of benefits already taken, including the dates. An old scheme statement referring to the lifetime allowance may not describe current treatment. Obtain a benefit-specific calculation rather than assuming that all accumulated pension money can now be withdrawn without tax.

Decision boundary: Ignoring historic benefits or protection conditions can reduce available tax-free entitlement. Ask the adviser: Which current lump-sum allowances and protections apply to these particular benefits?

Sources: G03, G04

Your preparation checklist

- Collect pension inputs from every relevant scheme.

- Calculate the defined income tests rather than using salary alone.
- Keep carry-forward and personal-relief calculations separate.
- Retain protection and prior-benefit records.

Next steps

Have the accountant and appropriately qualified adviser resolve unclear income or scheme figures before a substantial payment. Published thresholds can change and are not personal entitlements. Keep a record of the tax year, assumptions and source documents used for your own calculation.

General information only, not personalised financial, tax or legal advice. Suitability and available relief depend on your circumstances. Obtain appropriate advice before acting on a product, transfer or legal arrangement.

Sources and further reading

G01: HMRC / GOV.UK - Tax on your private pension contributions

<https://www.gov.uk/tax-on-your-private-pension/annual-allowance>

Retrieved 2026-10-02. Source publication date not stated; retrieval is not a publication date.

G02: HMRC / GOV.UK - Tax on your private pension contributions

<https://www.gov.uk/tax-on-your-private-pension/tax-relief>

Retrieved 2026-10-02. Source publication date not stated; retrieval is not a publication date.

G03: HMRC / GOV.UK - Tax-year-specific pension allowances

<https://www.gov.uk/government/publications/rates-and-allowances-pension-schemes/pension-schemes-rates>

Retrieved 2026-10-02. Source publication date not stated; retrieval is not a publication date.

G25: MoneyHelper / Money and Pensions Service - Carry forward: increase your annual allowance for pension savings

<https://www.moneyhelper.org.uk/en/pensions-and-retirement/tax-and-pensions/carry-forward>

Retrieved 2026-10-02. Source publication date not stated; retrieval is not a publication date.

M03: MoneyHelper / Money and Pensions Service - Take money from your pension when you need it: pension drawdown explained

<https://www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/what-is-flexible-retirement-income-pension-drawdown>

Retrieved 2026-10-02. Source publication date not stated; retrieval is not a publication date.

G04: GOV.UK - Personal pensions

<https://www.gov.uk/personal-pensions-your-rights/how-you-can-take-pension>

Retrieved 2026-10-02. Source publication date not stated; retrieval is not a publication date.

Related planning information

<https://castlestonebridge.co.uk/knowledge-hub/blogs/pension-for-high-earners-10-key-questions-answered>

Discuss your questions

For a discussion of your circumstances, contact Castle Stonebridge on 01246 308249 or visit <https://castlestonebridge.co.uk>. Any personal recommendation requires an individual assessment.