Are You Claiming All The Pension Tax Relief You are Due?

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One of the things we do as financial advisers is ensure that our clients do not pay more tax than they are required to pay. It should be simple, but our tax system is so complicated that we often see clients not claiming all the tax reliefs they are due, particularly at this time of year as we help them with their tax return. Often we see that they are not claiming higher or additional rate tax relief on their pension contributions, which can lead to them paying several thousand pounds more tax than they should.

Assuming that you are not in a salary sacrifice or salary exchange arrangement with your employer, basic rate tax relief will automatically be added to any personal pension contributions you make, and if you are a higher or additional rate tax payer you are entitled to claim additional relief. You need to make a claim to HMRC for the additional relief and this can be done in one of three ways.

Self Assessment – When completing your Self Assessment tax return you should enter the gross personal contribution you paid during the tax year. Sometimes we see people entering the net contribution and therefore understating their contributions, thereby not reclaiming all the tax relief due to them. For example, if you pay a personal contribution of £8,000, your pension provider will have added basic tax relief of £2,000, making the total gross contribution £10,000. It is £10,000 that should be entered on your tax return. If you are unsure on how much you have contributed your pension administrator should be able to provide you with a full statement of contributions.

Contact HMRC directly – You can either write to or call HMRC and request your additional relief either immediately or via an adjustment to your tax code. If you make your claim in this way HMRC may change your tax code for future years on the assumption that the same contributions are to be repeated in the future. Whilst this method provides you with tax relief immediately if the assumption is wrong you could end up paying too little tax and owing HMRC money.

Previous tax years – If you think that you may have not claimed all the tax relief due in previous tax years all is not lost. You are able make a claim for pension contributions made in previous tax years. You can go back 4 tax years before the tax year you are currently making a claim for. You will need to write or call HMRC to claim relief for previous tax years.

Other things to consider on order to make your tax affairs more efficient include assigning the married couples allowance, using your capital gains tax allowance and reducing dividend tax by making use of your annual ISA allowance.

At Wingate tax is one of many factors that we consider, both initially and throughout the ongoing financial advice our clients receive. If you would like to know more about how we may be able to help you with your financial planning needs please contact us to arrange a no obligation meeting.