

Annual Allowance summary

Video transcript

This is a summary of the different types of Annual Allowance. The Annual Allowance looks at the benefits you build up in each tax year and if you exceed the Annual Allowance you may have a tax charge to pay.

The standard Annual Allowance was £60,000 for the 2024/25 tax year and it's £60,000 again for this current 2025/26 tax year.

The Tapered Annual Allowance applies if you earn above a certain amount, so your Annual Allowance will be less. And you can use carry forward of unused allowances from the three previous tax years to offset any potential tax charges resulting from exceeding the Annual Allowance or the Tapered Annual Allowance.

And, if your tax bill from your USS benefit build up is over £1,000, you can ask USS to pay the bill for you and reduce your benefits accordingly through Scheme Pays.

If you do not use Scheme Pays though, you will need to pay the tax bill yourself through your Self Assessment tax return. If you do use Scheme Pays you will still need to let HMRC know though, and it is your responsibility to meet any deadlines and inform HMRC.

And finally, the Money Purchase Annual Allowance applies if you've accessed your defined contribution (DC) savings by taking an UFPLS cash payment or drawdown payment.