Annual Allowance summary

Video transcript

Here we're going to look at a summary of the Annual Allowance.

The Annual Allowance looks at the benefits that you've built up each tax year, and if you exceed the Annual Allowance, you may have to pay a tax charge.

The standard Annual Allowance was £60,000 for the 2025/26 tax year and it's £60,000 again for this current 2026/27 tax year.

The Tapered Annual Allowance applies if you earn over a certain amount and so your Annual Allowance will be less.

You can use carry forward of unused Annual Allowances from the previous three tax years to offset any potential tax charges resulting from exceeding either the standard Annual Allowance or the Tapered Annual Allowance.

And if your tax bill from 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, you'll need to pay the tax bill yourself through your Self Assessment tax return.

If you do use Scheme Pays, you'll still need to let HMRC know and it is your responsibility to meet any deadlines and inform HMRC.

Finally, the Money Purchase Annual Allowance applies if you have accessed your defined contribution (DC) savings by taking an UFPLS cash payment or a drawdown payment.