

Tax controls and pensions

The Government encourages you to save for your retirement by giving you tax relief on the contributions you pay into a pension scheme. When you pay into the pension scheme you receive tax relief on your contributions at the time they are deducted from your pay.

HM Revenue and Customs rules govern:

- the total amount of contributions you can make into all pension arrangements and for which you receive tax relief
- the pension savings you can have before you become subject to a tax charge

From 6 April 2006 you can, if you wish, pay up to 100% of your taxable earnings in any tax year (or £3600 if greater) into any number of concurrent pension arrangements of your choice and receive tax relief on the contributions.

There are two main allowances for pension savings - a Lifetime Allowance and an Annual Allowance. The lifetime allowance and the annual allowance cover any pension benefits you may have in all tax registered pension arrangements, not just the Local Government Pension Scheme, but excluding the State pension.

There are protections for benefits earned up to 5 April 2006 in respect of those high earners affected by the introduction of the lifetime allowance from 6 April 2006.

Most people will be able to save as much as they wish with full tax relief as their pension savings will be less than the allowances.

In 2014/15 the annual allowance is £40,000 and the lifetime allowance is £1.25 million.

Further information can be found on the HMRC website.

Further information

This leaflet has been prepared by the Isle of Wight Council Pension Office. If you need further information about the Local Government Pension Scheme, you should contact:

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