

## UK Budget – Changes to the Tapered Annual Allowance from 2020/21

In the recent Spring Budget, the Chancellor of the Exchequer, Rishi Sunak, announced that the tapered annual allowance limits will change from the 2020/21 tax year.

### What are the changes?

From 2020/21 the 'threshold income' is to be increased from £110,000 to £200,000. Individuals under this limit do not have to consider the tapered allowance. The 'adjusted income' above which the tapered allowance will apply will increase from £150,000 to £240,000.

	Definition	Limit
<b>Threshold Income</b>	Broadly your taxable income after the deduction of your pension contributions (including AVCs deducted under the net pay arrangement)	£200,000
<b>Adjusted Income</b>	Broadly your threshold income plus pensions savings built up over the tax year	£240,000

### How will this affect the tapered annual allowance?

The taper reduces the AA by £1 for £2 of adjusted income received over the adjusted income level. Therefore, previously the annual allowance tapered down from £40,000 to £10,000 for those with 'adjusted income' between £150,000 and £210,000.

Now, with effect from 2020/21, the taper allowance will be applicable for those with 'adjusted income' above £240,000. A further change is that the minimum tapered allowance will be £4,000 (in this respect the floor is currently £10,000). This means that from the 2020/21 tax year the AA for high earners is as follows:

Adjusted Income	Annual Allowance
£240,000 or below	£40,000
£260,000	£30,000
£280,000	£20,000
£300,000	£10,000
£312,000 and above	£4,000

### Does these changes apply for the 2019/20 tax year?

No, these changes are with effect from the 2020/21 tax year. The current taper limits will still apply for the 2019/20 tax year so will need to consider this when assessing your annual allowance for 2019/20.

### Contacting us

If you have any questions regarding the changes to the annual allowance then please contact me on 01225 718562 or by email on [luke.webster@wiltshire.gov.uk](mailto:luke.webster@wiltshire.gov.uk).