Annual allowance – pension input amounts

The annual allowance (AA) limits the amount of tax privileges available on pension savings made by or in respect of an individual under a registered pension scheme. As part of the AA test, the calculation of the pension input amount depends on the type of pension arrangement. This factsheet provides an introduction to the post 5 April 2011 calculations and is one of three covering the AA. For a complete overview, please read the Annual allowance – the test, and Annual allowance – pension input periods factsheets.

FEATURES

• Pension input amount (PIA) – other money purchase arrangements
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Pension input amount (PIA) - other money purchase arrangements

The PIA is the sum of the following paid during the pension input period:

- all relievable pension contributions paid by or on behalf of the individual under the arrangement, and
- contributions paid in respect of the individual under the arrangement by an employer of the individual.

Relievable pension contributions include the amount of any part of a contribution that does not attract tax relief e.g. the excess where the gross contributions exceed the member’s relevant UK earnings for the tax year. Note that a refund of excess contributions lump sum made in respect of pension input periods (PIP) ending in tax years on or after 2014/15 is not included in the calculation of the PIA.

The following are not classed as relievable pension contributions:

- paid after the individual has reached age 75
- contracting out rebates
- life assurance premiums under a non-protected non-group life policy (see PTM044100 for more detail)

PIA - defined benefit arrangements (PIP ending before 6 April 2015)

For a defined benefit (DB) arrangement the PIA is a notional contribution based on the increase in benefits accrued over the pension input period (PIP). This is best illustrated using an example.

**DB example**

Calculate the pension accrued at the end of the previous PIP. Assume this is £12,500 p.a. and that the lump sum is available through pension give up, and the annual increase in the consumer price index (CPI) to the September prior to the tax year was 3%.

**Opening value = (12,500 x 16) x 1.03 = 206,000**

Note, if the scheme operates separate lump sum accrual, the calculation would be in accordance with the formula: (pension x 16 + lump sum) x CPI factor.

Calculate pension accrued at the end of PIP. Assume this is £15,000 p.a.

**Closing value = 15,000 x 16 = 240,000**

**Closing value – Opening value = 240,000 – 206,000 = 34,000**

Therefore, £34,000 is the PIA. Certain events can cause the closing value to be higher or lower than it would otherwise be (see PTM053301 for more detail).

Note that the PIA is never less than zero.

PIA - cash balance arrangements (PIP ending before 6 April 2015)

A cash balance (CB) arrangement is a money purchase arrangement where the individual member has a predetermined fund at a particular date available to secure benefits. The fund is therefore not derived wholly from the contributions made by or on behalf of the member and because of this the PIA is a notional contribution based on the increase in the value of the member’s promised pension pot (see PTM053400 for more detail).
PIA is nil

An individual who under either a defined benefit or cash balance arrangement is:

- a deferred member for the whole of the PIP, or
- a deferred member for part of the PIP and then a pensioner member for the remainder
- a deferred member from the beginning of the pension input period until:
  - there is a recognised transfer from the pension scheme of all the sums or assets held for the purposes of, or representing accrued rights under, the arrangement in connection with the individual, and
  - after the transfer, no rights accrue under the arrangement (from which rights have been transferred) to (or in respect of) the individual during any remaining part of the pension input period

is treated as having no PIA for that arrangement if certain conditions are met (see [PTM053910](#) for more detail).

Where an individual

- dies, or
- retires due to severe ill-health

the PIA is nil for the PIP that ends in the tax year where the individual dies or becomes entitled to benefits under certain conditions. Also, any pension savings made in a PIP that began in that tax year but ended in the following tax year do not count towards the AA.

See [PTM051200](#) for more detail.
PIA for the 2015/16 tax year

In order to facilitate the alignment of pension input periods (PIPs) under all arrangements with tax years as from 6 April 2016, the 2015/16 tax year is split into two mini tax years:

6 April 2015 to 8 July 2015 – pre-alignment tax year
9 July 2015 to 5 April 2016 – post-alignment tax year

All PIPs open on 8 July 2015 closed on that date with the next PIP starting 9 July 2015 and ending on 5 April 2016. Therefore, arrangements where the first PIP started before 9 July 2015 may have one or two PIPs ending in the pre-alignment tax year.

For other money purchase arrangements the PIA for the pre-alignment tax year is the total PIA, calculated as set out above, for all PIPs ending in the pre-alignment tax year. The PIA for the post-alignment tax year is measured over the period 9 July 2015 to 5 April 2016.

Where the arrangement is either DB or CB, the calculation of the PIA for the pre-alignment and the post-alignment tax years follows special rules. These rules are complicated and are covered in the Tech Talks Pension input amounts for 2015/16 issued September 2015 and Annual allowance 2015/16 issued November 2015.