DG FINANCIAL SERVICES LIMITED

A GUIDE TO TAX YEAR PLANNING

Don’t delay, maximise your pension contributions before the end of the tax year

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DON'T DELAY, MAXIMISE YOUR PENSION CONTRIBUTIONS BEFORE THE END OF THE TAX YEAR

A practical guide to using pension allowances efficiently before the tax year end

As the tax year draws to a close, many people review how much they have paid into their pension and whether they can make further contributions before the deadline. For individuals and business owners alike, pension contributions before the end of the tax year can be one of the most effective ways to improve long-term retirement outcomes while also reducing current tax exposure.

However, effective end-of-tax-year pension planning is about more than simply maximising contributions. It involves understanding available allowances, using pension tax relief efficiently, and ensuring contributions align with your broader financial objectives.

WHY PENSION CONTRIBUTIONS BEFORE THE TAX YEAR-END MATTER

Pension allowances reset at the start of each new tax year. As a result, if unused allowances are not used before 5 April, the opportunity to use them is usually lost, making timing a key part of effective pension planning.

More broadly, pension contributions remain among the most tax-efficient ways to save for retirement. Contributions typically attract pension tax relief, investment growth is largely sheltered from income and capital gains tax, and pension funds generally sit outside your estate for inheritance tax purposes.

By reviewing your position ahead of the pension contribution deadline, you can make decisions with clarity and confidence, rather than making rushed or reactive decisions at the last minute.

UNDERSTANDING THE ANNUAL PENSION ALLOWANCE

The annual pension allowance is the maximum amount that can be paid into your pension in a tax year while still receiving tax relief.

In practice, this total includes:

- Personal pension contributions
- Employer pension contributions
- Company pension contributions made on your behalf

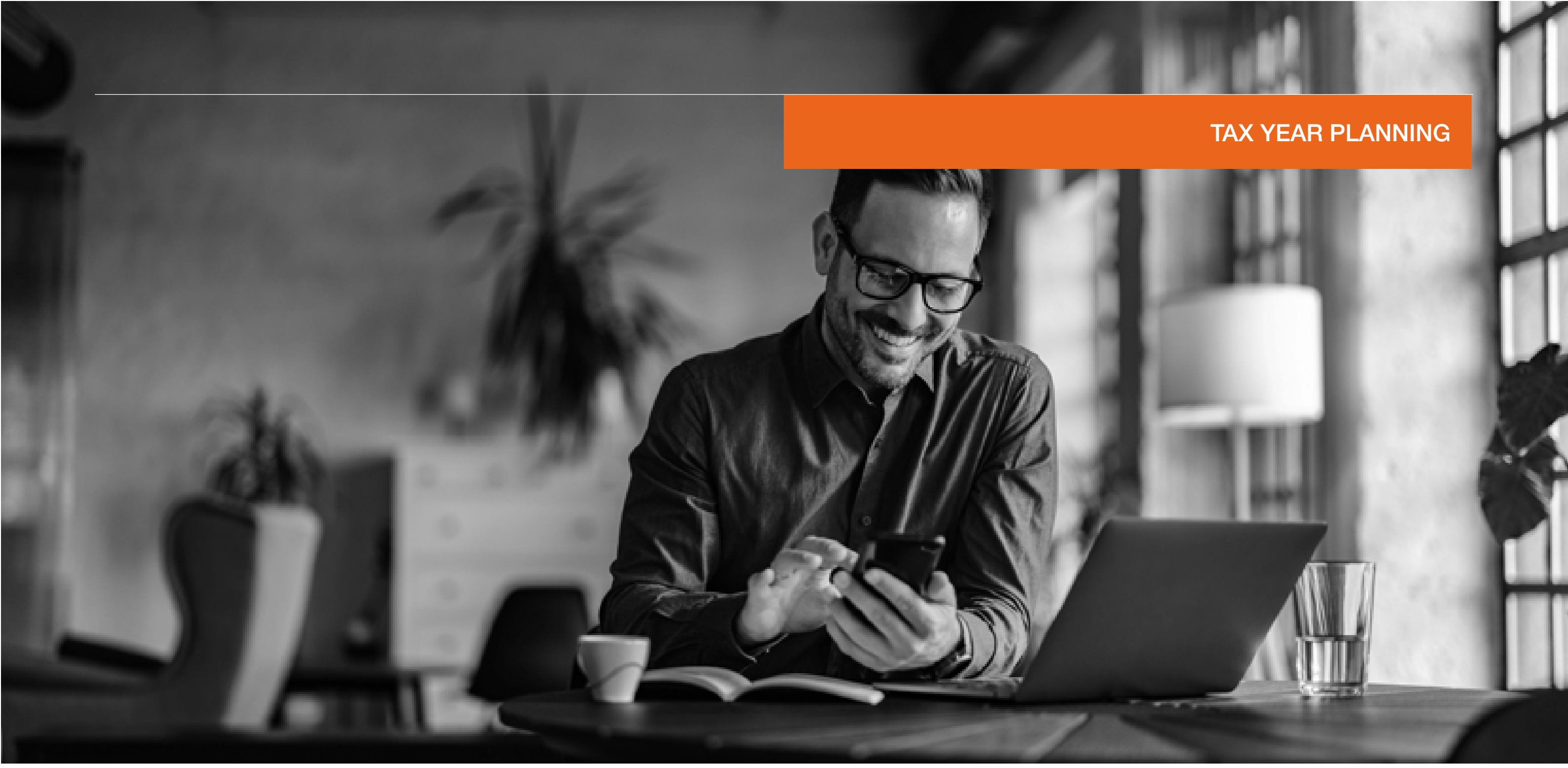
For most individuals, the standard annual allowance applies. However, this allowance may be reduced for higher earners under the tapered annual allowance rules, or restricted if you have already accessed pension benefits flexibly.

As a result, all contributions must be considered together. Every payment made into your pensions counts towards the same annual pension allowance, regardless of the number of schemes you hold. Therefore, it is important to assess your total pension input across all arrangements when deciding how much you can pay into your pension this tax year.

USING CARRY-FORWARD PENSION ALLOWANCE RULES

If you have not used your full annual pension allowance in previous tax years, you may be able to increase your contributions by using the carry-forward pension allowance. In simple terms, carry forward allows unused allowances from the previous three tax years to be carried forward to the current year, provided certain conditions are met.

For example, you can contribute up to £60,000 or relevant earnings. With an annual allowance of £60,000, if you contributed £30,000 in a previous tax year, you may be able to carry forward the



unused £30,000. When combined with the current year's allowance, this could allow a significantly higher pension contribution before the end of the tax year.

To use carry forward effectively, the following rules apply:

- You must have been a member of a pension scheme during the relevant tax years
- The current year's allowance must be used first
- Accurate contribution records are required to confirm eligibility

As a result, carry-forward pension planning is particularly relevant for individuals receiving bonuses, experiencing rising income, or reviewing pension funding later in their careers.

PERSONAL PENSION CONTRIBUTIONS AND TAX RELIEF

Personal pension contributions receive tax relief at your marginal rate, subject to your level of earnings. As a result, each contribution can be an effective way to reduce your tax liability while building long-term retirement savings.

Basic-rate tax relief is usually applied automatically by the pension provider. However, claiming higher-rate tax relief on pensions typically requires further action, either through self-assessment or by adjusting your tax code. This step is often overlooked, resulting in some individuals not receiving the full relief to which they are entitled.

Before the tax year ends, it is therefore worth reviewing:

- How much have you personally contributed during the current tax year
- Whether contributions align with your taxable income
- Whether additional contributions could improve overall tax efficiency

This review is particularly important when income fluctuates from year to year, as changes in earnings can affect both the amount of tax relief available and the efficiency of contribution structuring.

EMPLOYER AND COMPANY PENSION CONTRIBUTIONS

Employer pension contributions can be one of the most tax-efficient ways to fund a pension. In many cases, they offer advantages that personal contributions alone cannot provide.

For employees and directors, employer contributions are usually treated as a business expense and do not attract income tax or National Insurance for the individual. Similarly, for company owners, pension contributions for directors can form part of wider corporate tax pension planning, enabling profits to be extracted efficiently.

In addition, salary exchange arrangements may further improve efficiency by reducing both employees' and employers' National Insurance contributions. However, these arrangements must be set up correctly and reviewed carefully to ensure they remain appropriate and compliant.

PENSION PLANNING FOR HIGH EARNERS

Pension planning for high earners often requires additional care. In particular, where income exceeds certain thresholds, the tapered annual allowance may reduce the amount that can be paid into a pension on a tax-efficient basis.

This can become more complex when income includes bonuses, dividends, or business profits, as total earnings may fluctuate from year to year. If allowances are exceeded, an annual allowance charge may apply, reducing the overall benefit of pension contributions.

For this reason, high earners often benefit from bespoke end-of-year pension planning that carefully balances pension funding with other long-term investment strategies, helping to manage tax efficiency without unintended consequences.

BALANCING PENSION CONTRIBUTIONS WITH WIDER PLANNING

While it can be tempting to focus solely on maximising pension contributions, pensions should always be considered as part of a wider financial plan. In practice, this ensures contributions support not only tax efficiency but also your long-term lifestyle and financial objectives.

This broader planning typically takes into account:

- Your expected retirement age and income needs
- Investment strategy and tolerance for risk
- Liquidity requirements before retirement
- Estate and inheritance planning objectives

In some cases, spreading pension contributions across multiple tax years or combining pension funding with other tax-efficient investments can provide greater flexibility and help maintain balance across your overall financial strategy.

PRACTICAL STEPS TO TAKE BEFORE 5 APRIL 2026

As the pension contribution deadline approaches, it is sensible to review your position well in advance rather than leaving decisions until the final weeks of the tax year. This allows time for informed planning and avoids unnecessary pressure.

Before 5 April, it is worth confirming:

- Total pension contributions made during the current tax year
- Availability of any unused carry-forward allowances
- Your earnings position and the level of pension tax relief available
- Whether employer or company contributions could be increased

Taking action early allows contributions to be structured carefully and ensures decisions are made with clarity rather than as last-minute adjustments. ■

THIS DOES NOT CONSTITUTE TAX, LEGAL OR FINANCIAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH. TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.

How DG Financial can help

At DG Financial, pension planning is integrated into a broader financial strategy. Reviewing pension contributions before the end of the tax year helps ensure allowances are used efficiently, tax relief is maximised, and contributions remain aligned with long-term goals.

Professional advice can clarify complex rules and support confident decision-making at a critical stage of the tax year.

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