

CashCalc Specification Sheets (Client Facing)

Pension Carry Forward Calculator

Overview

The Pension Carry Forward Calculator is used for showing the client their total pension contributions for the current year and the previous eight tax years. This calculator takes the relevant earnings in the current tax year, existing contributions made in current tax year, whether their employer can contribute, and contributions for the previous three tax years, and whether there was an annual allowance available to use.

Assumptions

Below is a list of all assumptions made to perform the calculation:

- Figures are rounded to the nearest penny
- Personal Contributions only come from relevant earnings
- The current government sets the Maximum Carry Forward Amount

Calculations Breakdown

The calculations require six parameters to calculate the given output, these being:

- Relevant Earnings in Current Tax Year
- Existing Contributions made in Current Tax Year
- Employer's Contribution?
- Contributions in previous tax year
- Contributions 2 tax years before
- Contributions 3 tax years before
- If 2015/2016 tax year is relevant how much of the contribution was made before 9/07/2015

A parameter is dedicated to the amount of contributions made in the 2017/2018 tax year, this is due to special transitional allowance rules. This resulted in a potential maximum allowance of £80,000: up to £40,000 before the 9th of July and £40,000 thereafter.

There are additional five parameters for previous tax years. These have no effect on the calculations ran but are useful for displaying historical figures.

The Pension Carry Forward Calculator uses these values to calculate the Maximum Carry Forward Amount, Amount of Personal Contributions Available and the Amount of Company Contributions available. If the 'Employer's Contribution?' option is selected, then the Amount of Company Contributions available is equal to the Maximum Carry Forward Amount.

The Maximum Carry Forward Amount is calculated by subtracting all contributions made from the current tax year and the previous years from the Maximum of £160,000. The Amount of Personal Contributions Available is calculated by subtracting the Existing Contributions made in Current Tax Year from the Relevant Earnings in Current Tax Year. Following are the calculations performed in this process:

Maximum Carry Forward Amount = £160,000 - Total Contributions Made

Personal Contributions Available = Relevant Earnings - Contributions Made

Total Pension Contributions for Tax Year = Personal Contributions +
Employer Contributions

Threshold Earnings = Total Taxable Income - Personal Contributions

Adjusted Earnings = Total Taxable Income + Employer Contributions

There are maximum thresholds on how much can be contributed per year, these are:

- Current Tax Year: £40,000
- Previous Tax Year: £40,000
- 2 Tax Years Before: £80,000 (if transitional rules apply)
- 3 Tax Years Before: £40,000

If the client can make employer contributions, they can fill the remaining contributions of each tax year. If the client were to contribute more than the £40,000 limit in the current tax year, then the Carry Forward Already Utilised will be calculated by taking £40,000 from the current tax year's contributions. The Carry Forward Already Used is applied to the previous years, starting from 3 tax years before and up to the previous tax year, counting as contributions made to those years. If the sum of the personal contributions made in that year and the Carry Forward Already Used is equal to greater than that year's threshold, then the remainder will be applied to the next tax year.

Dependant on the results of the threshold and adjusted earnings as well as if the pension has been overfunded and will subject to an annual allowance charge; notes are displayed.

- If the threshold earnings are less than or equal to £110,000 the user will be informed that their annual allowance will not be tapered.
- If the threshold earnings are over £110,000 while the adjusted earnings are still less than £150,000 the user will be informed that their annual allowance will not be tapered.
- If both the adjusted and the threshold earnings are over the limit the user will be informed that their annual allowance will be reduced and what it will be reduced to. The following calculations decide this amount:

$$\text{Annual Allowance} = 40,000 - \frac{(\text{Adjusted Earnings} - 150000)}{2}$$

- If the client has overfunded their pension and will face a charge they are informed of this along with the amount of the overfunding.

$$\text{Overfunding} = \text{Total Pension Contribution} - \text{Annual Allowance}$$

A PDF report can be created from this calculator which contains detailed information about the relevant client's details and the outputs of the calculations performed. The data plotted in graphical form is created by using the GoogleChartAPI.