Pension input periods in 2015

The pension input period (Pip) enables pension contribution levels to be measured against the annual allowance. Until recently, clients could choose how long each Pip ran and when it ended. However, since April 2016 pension input periods have run in line with the tax year, and it's no longer possible to vary them.

At the same time, the tapered annual allowance was introduced for those earning more than £150,000. Depending on how much they earned over this amount, it had the effect of gradually reducing their annual allowance to a minimum of £10,000.

In advance of the introduction of the tapered annual allowance, transitional rules were introduced from 8 July 2015 to align pension input periods (Pip) with the tax year by April 2016, and to protect any savings already made before the July 2015 budget from retrospective tax charges.

What this meant in practice

All Pips opened on 8 July 2015 ended on 8 July 2015; and the next Pip was 9 July 2015 to 5 April 2016 for these arrangements. This meant that all existing arrangements that were open on 8 July 2015 had two or three Pips ending in tax year 2015/16, depending on the start date of the Pip.

Effectively, this created two mini tax years with the 2015/16 tax year – the 'pre-alignment tax year' that ran from 6 April 2015 to 8 July 2015 and the 'post-alignment tax year' running from 9 July 2015 to 5 April 2016.

For new arrangements that started on or after 9 July 2015, the Pip started with the first contribution, in the same way they always had, and ended on 5 April 2016. All subsequent Pips ran from 6 April to 5 April in line with the tax years.

Some clients may have contributed more than £40,000 prior to the July 2015 budget, in the expectation that these savings would be tested against the annual allowance for tax years 2015/16 and 2016/17; but they were now only tested against the annual allowance for 2015/16. Transitional rules were therefore introduced to ensure that in these circumstances pre-budget savings of up to £80,000 were protected from an annual allowance charge. Carry forward and Money Purchase Annual Allowance (MPAA) rules still applied where relevant.

Pips still exist after 6 April 2016, but are aligned to the tax year to make them simpler. However, the government has indicated that it will consider at a later stage whether the concept can be abolished altogether.

If you only read one thing read this

- Pips opened on 8 July 2015 ended on 8 July 2015
- The next Pip ran from 9 July 2015 to 5 April 2016
- Transitional rules were introduced to ensure pre-budget savings of up to £80,000 were protected from an annual allowance charge
- Carry forward from the 2012/13, 2013/14 and 2014/15 tax years could still be used
- Since 6 April 2016 all Pips have been aligned to the tax year
- From 6 April 2016 it's no longer possible to vary pension input periods

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