
Money purchase annual allowance

Information accurate for 2026/7 tax year, valid until April 2027



Money purchase annual allowance

The Annual allowance is the maximum total amount that can be paid into your pension each year by you and a third party, such as your employer, without you incurring a tax charge. For most, the maximum amount is £60,000.

From April 2015, the Government introduced a lower level of annual allowance, called the money purchase annual allowance (MPAA) for anybody that “flexibly accessed pension income (see below). It is designed to discourage people from using the flexible pensions rules in order to avoid tax and potentially National Insurance Contributions.

For the current tax year, the MPAA is £10,000 a year for contributions into a defined contribution pension. So, if the MPAA applies to you and if have total contributions to your pension above this amount you will need to pay the relevant annual tax charge to HMRC via the self-assessment process.

How do I know if I've accessed my pension income flexibly?

HMRC defines what constitutes taking pension benefits 'flexibly' known as trigger events and a full explanation can be found using the following weblink: [PTM056520 - Annual allowance: money purchase annual allowance: trigger events - HMRC internal manual](#)

If you take benefits from a defined contribution pension scheme in the following ways then the MPAA is NOT triggered:

- Buy a lifetime annuity where the amount that is paid cannot reduce
- Only take your tax free cash and no income
- Commencing a scheme pension from a Trust based defined contribution pension scheme

If you take benefits from a defined benefit (final salary) pension scheme, the MPAA is NOT triggered.

What happens if I trigger the MPAA by flexibly accessing my pension?

The annual allowance will still be the primary allowance to consider in the tax year when the MPAA is triggered, however, when a trigger event occurs the MPAA rules will apply from that date and will continue to do so for each subsequent tax year. If you are an active member of a Defined Benefit Scheme and have triggered the MPAA you will still have the full annual allowance for testing pension input to the DB scheme against.

The MPAA will only start to apply from the day after you have taken flexible benefits; therefore any contributions paid before this date, will not be tested against the MPAA however they will be tested against the annual allowance for that tax year

If you take benefits from a defined contribution scheme flexibly while you are still working, you need to consider whether your current pension contributions will need to be reduced, in order to ensure that contributions are under the MPAA. Otherwise, you will have to pay a tax charge on any contributions in excess of the MPAA to HMRC via the self-assessment process.

Notification rules

When you first flexibly access your pension savings, the scheme administrator or pension provider must provide you with a statement confirming that you are subject to the MPAA, the date it applied from and setting out what you must do.

They are required to provide this notification within 31 days of the flexible access occurring, unless you (or the administrator or provider of another scheme) have already informed the scheme administrator or pension provider that you have previously flexibly accessed pension funds and therefore are already subject to the MPAA.

Once you receive this notification, you have to advise any other defined contribution pension scheme, that you have flexibly accessed pension benefits. You must do this within 91 days of receiving the notification or within 91 days of joining a new scheme, whichever is the latter.

Failure to comply with this deadline will mean that you are potentially liable to a £300 fine and daily penalties of up to £60 for every day the failure to provide this information continues after the £300 fine has been applied.

Please note:

If you are in any doubt about whether the MPAA is applicable to you, you should seek the advice of a financial advisor. Similarly, if you are considering proceeding with an action that could be deemed to be a MPAA trigger event you should also seek appropriate professional advice, especially if your total annual pension contributions are close to (or may be close to at a later date) the MPAA.

If you need further help understanding this matter and how it might impact you, we're here to help.



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Making changes with your pensions and investments may have tax consequences and it is important to bear in mind that this document is produced as a guide only; NFP does not provide tax advice and this document is not intended to provide advice. The level of taxation applicable depends on individual circumstances and such levels and bases of taxation can change. It is your responsibility to ensure that you understand any applicable tax consequences and should consider taking professional tax advice if necessary.

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