

## **MODEL OFFICE NOTICE**

### **CIVIL SERVICE PENSION ARRANGEMENTS:**

- **Partnership Pension Account**
- **The Designated Stakeholder Arrangements**

### **Change in the basic rate of income tax**

#### **Who should read this?**

You should read this office notice if you are currently paying contributions to your partnership pension account or to the stakeholder arrangements

#### **Purpose**

To tell you about a change in the basic rate of income tax and how this will affect your future payments.

#### **How the tax rate affects your payments**

As you may be aware, the basic rate of income tax is reducing from 22% to 20% from 6 April 2008. If you are making contributions to the partnership or stakeholder arrangements your personal contribution is set up on a gross basis. Your contribution is reduced by the basic rate income tax to give the net amount deducted from your salary. The net amount is paid over to your partnership/stakeholder provider who claims the tax back from HM Revenue Customs (HMRC).

#### **Example**

You currently pay a portion of your salary to your partnership account, which equates to £100 per month. Of that, £78 is deducted from your salary and paid over to the provider and the other £22 is claimed back from HMRC by the provider. In order to keep your gross contribution at the same level from 6 April 2008, when the basic tax rate reduces, your net contribution will automatically increase by £2 to £80 and the provider will claim back £20; your total investment will remain as £100.

#### **Do I need to do anything?**

You do not need to take any action as your net pay will be adjusted accordingly by your payroll provider.

If you are paying contributions to your stakeholder arrangement by direct debit your provider will automatically increase your current payment to reflect the lower tax rate

If you are a higher rate tax payer you will continue to claim the additional tax back through your annual self-assessment in the normal way.