



Annual Allowance – Pension Savings Statement Information Sheet

PLEASE NOTE: YOU SHOULD TAKE ACTION AS YOU MAY HAVE A TAX CHARGE TO PAY

What is the Annual Allowance?

The Annual Allowance (AA) is set by HM Revenue and Customs (HMRC) as the maximum amount of pension savings you can make across all tax-registered pension arrangements, in any one year, that benefits from tax relief. Changes to the AA Tax regime are made by HMRC. If your pension savings in any year are more than the AA, you may be liable to pay tax on the amount over the AA at your marginal rate of income tax. HMRC rules relating to AA apply to all people with savings in tax-registered pension schemes, such as the Civil Service Pension Scheme. For the purposes of the AA we measure your pension savings over the 12 months of a 'Pension Input Period' (PIP).

What is the Pension Input Period (PIP) and how do I know which tax year it relates to?

For the Civil Service Pension Scheme, the Pension Input Period (PIP) runs from 1 January to 31 December. So, for example the PIP relevant for the tax year 2011/12 is that which runs from 1 January 2011 to 31 December 2011. Other pension arrangements may have different PIPs. The relevant PIP is that which ends in the tax year under consideration.

What is the "Pension Input Amount"?

The Pension Input Amount is calculated using the amount of pension savings you have made in the Pension Input Period, and is the total of:

- the growth in value of pension benefits you have built up in the relevant PIP in defined benefit schemes (eg **classic, premium, classic plus, nuvos**); plus
- any contributions you and your employer pay to other defined contribution pension arrangements - for example to Civil Service AVC Schemes, the **partnership** pension account, a stakeholder or personal pension outside the Civil Service pension arrangements -in the relevant PIP.

Why have I been sent this Pension Savings Statement?

You have been sent this statement because:

- You have requested it; or,
- We think that your pension savings from the Civil Service scheme alone are over the Annual Allowance, for the Pension Input Period that falls into the tax years 2011/12, 2012/13, or both. You may therefore have a tax charge to pay as a result.

Examples of the kinds of circumstances in which your Pension Input Amount might exceed the AA during any Pension Input Period are if you:

- Earn a relatively high salary
- Had a significant increase in pensionable pay
- Had purchased significant amounts of Added Pension
- Linked together a new period of service with a previous one in the Civil Service (known as 'aggregated' or 'linked' service).

The Civil Service Pension Scheme administrator (MyCSP Ltd) is required by law to send you a statement where your Pension Input Amount exceeds the AA for tax years commencing 2011/12 onwards only.

What do I have to do?

You will need to check whether you have any tax to pay. Even if your Pension Input Amount is over the AA you still may not have tax to pay. This is because you can use any unused Annual Allowance from up to 3 years prior to the current year. This is called 'Carry Forward' and more information on this is available at www.hmrc.gov.uk/pensionschemes/calc-aa.htm. We do not know whether or not you have unused 'Carry Forward' from previous years as this applies across the whole of your pension savings, including any non Civil Service arrangements you may or may not hold.



The statement you have been sent provides information in relation to your **Civil Service Pension Scheme benefits only**, and includes any Added Pension or Added Years. It does not include any Civil Service AVCs, Partnership benefits or any other pension arrangements you may have. You will however need to take account of any additional pension arrangements when calculating if there is any AA tax charge to pay. Information can be obtained from the provider of these benefits.

How do I calculate whether I have any tax to pay?

Tax is your individual responsibility. If you are liable to pay any AA tax charge, you should follow HMRC guidelines for calculating, declaring and paying any tax due.

Information on how to calculate whether there is any tax to pay is available at www.hmrc.gov.uk/pensionschemes/calc-aa.htm

I have calculated that I have tax to pay - what do I need to do?

- If you have a tax charge for 2011/12 but did not complete a self-assessment tax return: You must register for self-assessment and submit a late tax return
- If you have a charge for 2011/12 and have completed a self-assessment tax return: You must amend your 2011/12 self-assessment tax return
- If you have a tax charge for 2012/13 and have already filed a self-assessment tax return: You must amend your 2012/13 self-assessment tax return
- If you have a tax charge for 2012/13 and have not yet filed a self-assessment tax return: You must use this information in your tax return
- If you have a tax charge for 2012/13 and do not complete self-assessment: You must register for self-assessment and declare your tax charge.

If a tax charge applies you can pay the charge via self-assessment directly to HMRC. Information on self-assessment is available at www.hmrc.gov.uk/sa/index.htm. Alternatively if your charge is more than the HMRC limit (currently £2,000) and you are still in service, you can opt for the Civil Service Pension scheme to pay the amount of the charge in relation any charge arising from your Civil Service pension benefits only by **permanently** reducing your Civil Service Pension Scheme benefits. This is known as "Scheme Pays".

What do I need to do if I want to use Scheme Pays?

If you are interested in using Scheme Pays please request a **Scheme Pays Quote** form from MyCSP (contact details are shown on the Pension Savings Statement letter). This should only be completed and returned when you have established the actual AA tax charge in respect of your Civil Service Pension Scheme benefits. Upon receipt of the completed form we will then consider your eligibility and if appropriate will provide an estimate showing the **permanent** effect on your benefits, for you to decide whether you wish to proceed with Scheme Pays. **Please note** that if you are already in receipt of your Civil Service Pension Scheme benefits and are no longer in service, the Scheme Pays option is not available to you.

Is there any time limit to Scheme Pays?

Yes, if you wish to use Scheme Pays and you exceeded the AA in tax year 2011/12 you must apply to MyCSP for Scheme Pays by 31 December 2013. For all future years you must confirm this by 31 July in the year following the year in which the AA charge becomes due. E.g. For tax year 2012/13 apply for Scheme Pays by 31 July 2014. **Please note** that if you do want Scheme Pays and intend to leave service taking all of your benefits from the pension scheme the Scheme Pays action must be completed prior to any payment of scheme benefits.

Additional Information

For more details regarding AA, Scheme Pays, calculating and paying any tax charge, including examples, a calculator and Frequently Asked Questions, please see the HMRC website:

www.hmrc.gov.uk/pensionschemes/calc-aa.htm and www.hmrc.gov.uk/tools/pension-allowance/calculator.htm