

JULY 2020

OPTIONS FOR MEMBERS OF THE NHS PENSION SCHEME AFFECTED BY THE ANNUAL ALLOWANCE

This quick guide is designed to help you raise awareness of the options available to members of the NHS Pension Scheme affected by the annual allowance.

Carry forward

Employees may use any leftover annual allowance from the previous three tax years to cover an annual allowance tax charge. Any unused allowance from these years may be added to the employee's annual allowance limit in the current tax year. This may prevent an annual allowance charge or reduce the amount due. If there is enough leftover annual allowance to cover the charge in full, the employee will not need to take any further action. Employees can use the information on their pension saving statement alongside [guidance from HMRC](#) to check if they have any unused annual allowance.

Scheme pays

Employees may ask NHS Pensions to pay the annual allowance tax charge to HMRC on their behalf. In return, pension payments in retirement are reduced by a corresponding amount.

Scheme pays is available to all members of the scheme who breach their annual allowance.

Employees must notify NHS Pensions of their intention to use scheme pays before the annual deadline for the relevant tax year. Download the guide to scheme pays and the scheme pays election form from the [NHS Pensions website](#).

Pay the tax charge

Employees may pay the annual allowance tax charge directly to HMRC from existing personal funds or savings through the self-assessment tax return. Employees who don't usually need to complete a self-assessment tax return will need to register for the service by completing the HMRC SA1 form. Individuals should read the HMRC help sheet HS345 for guidance on how to complete the pension savings tax charges section.

All forms and help sheets can be found on the [HMRC website](#).

Responsibilities

Member

Calculate their tax charge, inform HMRC and ensure the tax charge is paid.

Employer

Provide accurate employee data to NHS Pensions, help to answer any queries and signpost staff to independent financial adviser where necessary.

NHS Pensions

Calculate the pension input amount, send pension savings statements and pay the tax charge to HMRC where members request to use scheme pays.

Independent financial advice

We recommend that members of the NHS Pension Scheme who are affected or concerned about the annual allowance seek independent financial advice about their specific circumstances. NHS Employers has published a [list of organisations](#) that are able to offer expert guidance and advice on pension tax issues for members of the NHS Pension Scheme.

Further information

For more information please visit our [NHS Pension Scheme web pages](#) or read our [annual allowance briefing](#) and [infographic](#).

Contact

Tell us what you think about our products and resources, email pensions@nhsemployers.org.