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**Annual Allowance – Frequently Asked Questions (FAQs)**

**IMPORTANT: READ THESE FAQS AS YOU MAY NEED TO TAKE ACTION**

**What is the Annual Allowance (AA)?**

The AA is the maximum amount of tax-free pension savings that you can make in any tax year. The amount that your pension grows by each year counts towards this allowance.

The AA is checked against your Pension Input Amount (PIA) during the tax year. The PIA includes any contributions you have made into your pension as well as the change in value of your pension benefits (growth) in the tax year.

The standard AA for the tax year 2024/2025 is capped at £60,000. The AA limits for the years prior to this are shown below.

If you are a member of more than one Scheme, i.e. PPS 87/NPPS 06 and PPS15, your statement will show your Annual Allowance from both Schemes.

You are personally responsible for paying any Annual Allowance charge that is due. It may be possible to ask the Scheme to make the payment. Further details of payment options are shown below under "**How do I pay the excess AA tax charge to HMRC?"**

**What is the standard Annual Allowance Limit?**

The standard AA limits for the current and previous tax years are:

- 2011/2012 – 2013/2014 £50,000
- 2014/2015 £40,000
- 2015/2016 £80,000
- 2016/2017 – 2022/2023 £40,000
- From 06/04/2023 £60,000

If you are subject to the tapered Annual Allowance (AA) or the Alternative Annual Allowance, your personal AA limit may be different.

**What is the Tapered Annual Allowance?**

If you earn over £260,000 in 2024/2025 tax year, you will have to calculate your own personal AA which is likely to be lower than the standard AA.

Further details and limits can be found on HMRC's website: [Work out your reduced (tapered) annual allowance - GOV.UK (www.gov.uk)]

**Unused Allowances – Carry forward**

Any unused AA from the previous 3 tax years can be carried forward and offset against excess AA in later a tax year. Your unused allowance is the difference between your PIA and the AA for that tax year. If you are affected by the tapered annual allowance, this will restrict the amount of AA you can carry forward. If within your 3 previous years, one or more years were within the AA and one or more years were over the AA, then you may need to go back up to a maximum of 5 tax years.

e.g. if you had £20,000 unused AA within the 2022/23 tax year but exceeded the AA by £20,000 within the 2023/24 tax year, your unused AA within 2022/23 may not necessarily be used up to offset the 2023/24 excess. Within any tax year, unused AA is taken from the earliest year first. As such to determine how the 2023/24 excess is dealt with you would need to refer to your 2023/24 PSS and the three previous tax years contained within that statement. If upon review there was enough unused AA within the 2020/21 and 2021/22 tax years to eliminate the 2023/24 excess then the entire unused AA from 2022/23 can be carried forward to reduce any tax liability within 2024/25.

Take a look at HM Revenue & Customs' Self Assessment helpsheet HS345 for further information and guidance on unused allowances and tapering.

**What is the Alternative Annual Allowance?**

The Alternative AA applies to scheme members who have:

- pension savings in both defined benefits and defined contribution arrangements
- flexibly accessed their money purchase pension benefits and made money purchase pension savings in excess of the money purchase annual allowance.

Full details of the Alternative Annual Allowance can be found here Pension schemes rates - GOV.UK (www.gov.uk)

**Why am I receiving a Pensions Savings Statement (PSS)?**

Anyone who exceeds the standard AA limit within the tax year 6 April 2024 to 5 April 2025 must be supplied with a statement, as per HMRC legislation.

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

**Yes –** you need to review the figures provided in the PSS and check if you have a tax liability. If so you will need to declare this to HMRC and arrange for this to be paid either directly from yourself or from your pension pot via "scheme pays". Further information can be found below.

**The process for each situation and tax years varies. We have set out information to help you below.**

**How do I check if I have exceeded the AA?**

You can check by inputting your details from your PSS in the HMRC calculator which can be found on the HMRC website: Check if you have an annual allowance tax charge on your pension savings - GOV.UK. If within the last three tax years you have both exceeded the AA in one tax year but been within the AA for another tax year we recommend that you input details for the five previous tax years as well as for the 2024/25 year i.e. enter details from the 2019/20 tax year onwards. Please see the section on page 1 for "**Unused Allowances – Carry forward".**

If you have any other pension arrangements, please make sure that you also include this information. You will be asked to input your Pensions Savings for each of the tax years (this is your PIA figure shown in your PSS).

Based on the information provided, the calculator output will show if tax is due in any of the relevant tax years.

You are responsible for reporting to HMRC that you are liable for the Annual Allowance Charge. We can't complete or assist you with any tax liability calculations.

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**How is the Annual Allowance Tax Charge calculated:**

The annual allowance charge is determined by adding the pension input amount in excess of your available allowance (the annual allowance and any unused carry forward) to your 'reduced net income', see: https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm056110.

The rate or rates of tax on the excess pension input amount will therefore depend on the extent to which the increased net income amount falls within your relevant tax bands.

**How do I tell HMRC if I exceed the Annual Allowance?**

**Latest Tax Year: 6 April 2024 – 2025** If you have exceeded the AA for the latest tax year, you may need to declare a tax liability to HM Revenue & Customs (HMRC) via a self-assessment tax form which must be submitted no later than 31 October 2025 for paper returns or 31 January 2016 for online returns. **If you have not submitted a tax return online before you must register for a self-assessment by 5 October 2025**, please see the following: Check how to register for Self Assessment - GOV.UK

Please ensure the information contained on the statement is correct by consulting Tax on your private pension contributions: Annual allowance - GOV.UK.

If you are unsure on any aspect of pension taxation, it is recommended that you seek professional advice from an accountant or independent financial adviser.

**Previous tax years**

If you exceeded the AA in a previous tax year and have a tax liability that you have not yet notified HMRC about, please refer to the statement you received at the time.

**If you were in scope for the McCloud Remedy** - please follow the guidance included within your 2023/24 PSS which detailed how to use the public sector calculator to resolve AA tax liabilities during the Remedy period (2015 to 2022) and also for the tax year 2022/23. Any changes to these periods will need to be notify via the following HMRC link www.gov.uk/guidance/calculate-your-public-service-pension-adjustment

**If you either:**

- have a tax liability for the 2023/24 tax year, or
- were not in scope for the McCloud Remedy and have a liability for an earlier year

You will need to submit a revised self-assessment for the relevant year to declare the relevant tax liabilities to HMRC.

**How do I pay the excess AA tax charge to HMRC?**

If you are liable for a tax charge, you will need to decide how you wish to pay this. Depending upon your circumstances, you can:

- make a payment of the outstanding tax directly to HMRC or
- use the Scheme pays option. This option only applies in respect of tax due for the MPS Schemes.

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**Scheme Pays Information**

If you are liable for a tax charge you may have the option of requesting the scheme to pay the charge from your pension fund, known as "**Scheme Pays**". Further details of the criteria for Scheme pays is shown below.

If you use this option, the Scheme will pay the relevant tax charge and your pension will be reduced by the corresponding amount to reflect the payment made. This is known as a pension debit.

**Latest Tax Year (6 April 2024 – 2025)**

You can apply for the Scheme Pays option if your Pension Input Amount (PIA) exceeds the standard annual allowance in the 2024/25 tax year, and the resultant tax charge is at least £2,000 in any one Police scheme, you are able to apply for Mandatory Scheme Pays. If you do not meet these conditions, then you may be able to apply for Voluntary Scheme Pays. A Voluntary Scheme Pays election cannot be made for a tax charge below £1,000 and must relate to tax charges arising in relation to police pension benefits only. Please see the enclosed notes for further information on Mandatory and Voluntary Scheme Pays.

If you wish to explore the option of Scheme Pays and get details of the charge on your pension, please contact us for a quote, at: hr.enquiries@equinti.com

Please do this as soon as possible as you will need to submit a relevant notification, Scheme Pays Notice, by the applicable deadline, which is 31 December 2025 for Voluntary Scheme Pays or 31 July 2026 for Mandatory Scheme Pays for the tax payment due for the 2024/25 tax year. Scheme pays forms can be found on our website, please see: Metropolitan Police Pensions - Scheme Information

**If you decide to settle the tax liability directly with HMRC, or do not qualify for Scheme Pays, we do not require any further information from you.**

Scheme pays notice.

This form constitutes a notice in accordance with Section 237B(3) of the Finance Act 2004 and covers the information that you are required to give in accordance with the Registered Pension Schemes (Notice of Joint Liability for the Annual Allowance Charge) Regulations 2011. Please be aware that, once the completed form is received by the scheme, you and the “scheme administrator” for the purposes of the Finance Act 2004 will legally become “jointly and severally liable” for the annual allowance charge specified in this notice (subject to the limited excepted circumstances set out in sections 237C and 237D of the Finance Act 2004).

If you make a Scheme Pays election, in addition to notifying HMRC of the amount that your pension savings exceed the annual allowance, you will need to notify them of the tax that you have asked the scheme to pay on your behalf. You will also need to notify them of the Pension Scheme Tax Reference(s) (PSTR); these are as follows:

| | |
|---|---|
| 1987 Police Pension Scheme | 00647265RT |
| 2006 Police Pension Scheme | 00685373RP |
| 2015 Police Pension Scheme | 00823202RN |

Amendment to the notice

If your liability to the annual allowance charge in relation to the 2024/25 tax year should change after submission of this form, you may submit a revised notice to the scheme by no later than 31 July following the end of the period of six years beginning with the last day of the 2024/25 tax year.