

Annual Allowance Information Requirements

Annual Allowance changes receive Royal Assent

Background

In previous Technical Updates we advised employers that the Government had proposed some changes to the maximum amount of tax free pension savings (excluding State pensions) a person could have in any one year (the annual allowance).

The annual allowance therefore reduced from £255,000 to £50,000 from 6 April 2011. In the HSC Pension Scheme this is the maximum amount of growth a member can have. Members who exceed this limit can also use up to the 3 previous years annual allowances (up to a maximum of £50,000 per year), if unused. This is called „carry forward“.

HSC Pensions will aim to identify members who exceed the revised limit in respect of the growth in their HSC Pension Scheme benefits and HSC employers will be required to provide information about scheme members to HSC Pensions within a specified timeframe. This information may enable HSC Pensions to provide an annual allowance statement to members who could be affected.

Purpose of this factsheet

The purpose of this factsheet is therefore to set out what the changes are, how these might affect members, inform you about your responsibilities as an HSC employer and explain what information HSC Pensions will provide.

What will this change mean to HSC Pension Scheme members?

The annual allowance restricts the amount of tax relief that a member is entitled to receive on their pension savings. The annual allowance limit covers all their pension savings, except the State pension, so any other pension savings e.g. AVCs or a personal pension a member may have must be added to the capitalized value of their HSC Pension benefits.

By reducing the annual allowance this may mean that more members could be subject to a tax charge.

Which members could be affected?

The vast majority of members will not be affected. Early indications are that the changes will primarily affect high earners (those earning over £150,000 a year).

Members may also be affected if they earn less than £150,000 but:

Receive a significant pay rise or are promoted to a higher paid role; or have a long period of pensionable service, or;

Earn pension at a higher rate than the normal Scheme accrual.

What information will HSC Pension Service provide?

HSC Pension Service will provide an annual allowance statement to members who are over the annual allowance in the HSC Pension Scheme.

However, HSC Pension Service will not be in a position to do this until the summer of 2013, and in the meantime members are responsible for ascertaining their tax position and reporting any tax due to HMRC.

Members will also be responsible for adding any other pension savings they have, to work out their overall annual allowance usage, and for calculating any tax due and for any payment due to HM Revenue and Customs.

HSC Pension Service will deliver annual allowance statements automatically in the Summer of 2013, in relation to the scheme years 2011/12 and 2012/13, provided all information, including accurate pensionable pay and hours information, has been provided by the relevant employer.

What information must HSC employers provide to HSC Pension Service and when?

The HMRC requirements specify that employers must automatically provide:

Pay (and hours) information* to HSC Pension Service by 6 July 2013, in respect of 2011/12 and 2012/13

HMRC have advised that employers will need to be able to provide evidence to satisfy both HSC Pension Service and HMRC that they have complied with the requirements.

Why must the information be provided?

The information employers provide will enable HSC Pension Service to generate an annual allowance statement. This statement will inform members if they have breached the annual allowance in the HSC Pension Scheme.

What happens if the information is not provided?

If the information is not provided, HSC Pension Service will not be able to conduct the necessary calculations to check whether the member has breached the annual allowance limit. HSC Pension Service will not then be able to generate an annual allowance statement and notify potentially affected members.

What information will the annual allowance statements provide?

HSC Pension Service will provide an automatic annual allowance statement to all members over the annual allowance in the HSC Pension scheme. The automatic statement will contain details of the amount of annual allowance used (known as the "pension input amount") for the year in question, and for the preceding 3 years. It will also show the annual allowance amount for each year in question.

Can members request information from HSC Pension Service?

HSC Pension Service is not currently able to provide information in relation to the reduced annual allowance for 2011/12 or in relation to the associated „carry back“ years of 2008/09, 2009/10 and 2010/11. HMRC have given all scheme administrators extra time in which to gear up their systems to provide the statements. Administrators have until 6 October 2013 to provide statements in relation to 2011/12 and 2012/13.

HMRC Fines for non-compliance

HMRC have published fines for Employers and others who are responsible for providing information to scheme administrators. These are:

Up to £300 for each case where information has not been provided.

An additional maximum of £60 per day once the initial fine above has been levied, if the information remains outstanding .

Further Information

Further information is available at:

<http://www.hmrc.gov.uk/manuals/rpsmmanual/RPSM06107530.htm>

*All information required to be able to calculate the pension input amount is required