

HSC Pension Scheme (HSCPS) Tax Rules – General – FAQs

Q. What is the Lifetime Allowance?

- A. From A-Day, HMRC replaced the current tax-free limits on pension savings with an individual lifetime allowance (LTA). The LTA limit was set at £1.5 million for the tax year 2006/07. Member funds must be tested against the LTA at each benefit payment (or benefit crystallisation) event.

Individuals may accrue benefits in excess of the LTA limit, but any 'excess benefits' must be subjected to a tax known as a lifetime Allowance Charge (LTAC).

Q. What is the Annual Allowance (AA)?

- A. This is the maximum tax-free increase in the capital value of a members pension benefits, allowable in any one year. If the growth in the capital value of the benefits is greater than the AA the member will be liable for an Annual Allowance Charge.

Q. What will count towards the Annual Allowance Limit (AAL)?

- A. The following will count towards the AAL:
- Increases in the capital value of defined benefit pensions, like the HSCPS, including lump sums for active members and added years, whether due to pensionable pay increases, normal accrual or augmentation.
 - Contributions made by the member to money purchase arrangements (including money purchase AVCs) and by the employer.

Q. What will not count towards the AAL?

- A. The following will not count towards the AAL:
- Contributions for death in employment benefits (unless part of 'ordinary' contributions to a money purchase arrangement).
 - Any member contributions not qualifying for tax relief.

Q. Do I need to include my State pension benefits?

- A. No. Your state pension is not valued for LTA purposes.