



Annual Allowance

Introduction

1. Pensions is a very complex topic. Now, combine pensions with tax, which is exactly what Annual Allowance is about, this takes the level of complexity to a whole new level.
2. The purpose of this Notice is to provide you with information to help clarify what Annual Allowance is, and to try and alleviate the difficulties associated with this topic. It will also make you aware that choices you make in this current tax year may have an impact on your tax position.
3. Based on past experience, the majority of HSC staff should not be affected by the Annual Allowance but there are a number of circumstances you should be aware of that may result in significant growth in your HSC pension and consequently a breach of your Annual Allowance for the tax year in question. Examples are:
 - being a higher earner
 - receiving a significant increase in salary through promotion or temporary promotion (note that the receipt of two pay awards for some members within the last tax year will also result in an increase in pension savings)
 - buying a significant amount of Added Pension/Added Years etc.

See paragraph 9 below for more details. Please take time to read the following.

What is 'Annual Allowance'?

4. Annual Allowance is the maximum amount of pension savings you can make in any one tax year which can benefit from tax relief. Annual Allowance is set by HM Revenue and Customs (HMRC) and is very much a tax matter. For the 2025/26 tax year, you have an Annual Allowance of £60,000 before any tax becomes due. This is the same as the 2024/25 tax year.
5. Although Annual Allowance is very much outside the control of HSC Pension Service, we do have a key role to play in identifying and notifying members who 'breach' the Annual Allowance and providing information on what options are available to address any breach. However, HSC Pension Service is not regulated to provide financial advice. The onus is on you to seek independent financial advice as necessary to decide on which course of action you wish to take.



Will this affect me this year?

6. As mentioned in paragraph 2 above, we know that only a small percentage of members are normally impacted by this issue, and hopefully less members will be affected than before due to the higher Annual Allowance of £60,000.
7. If the growth in your pension savings, known as the Pension Input Amount, in any one year is more than the Annual Allowance you may be liable to pay tax on the amount that is over the Allowance. The Pension Input Amount is calculated as 16 times the increase in the value of your pension during the year, plus the increase in value of any automatic lump sum.
8. Fortunately, you can use any unused Annual Allowance from the previous three years to offset any breach before tax is payable. If a tax charge is payable, there are options available to you. We can pay the charge on your behalf and reduce your pension entitlement or you can pay any charges directly to HMRC.
9. As a guide you **may** be more likely to breach the Annual Allowance if any of the following circumstances apply to you:
 - If you earned a relatively high salary during the tax year in question (for context, a Consultant with a basic pay of £139,920 would increase their pension savings by approximately £41,000 in the CARE Scheme only, with no pay rises or other factors applicable)
 - If you had a significant increase in pensionable pay during the tax year (for example, promotion or temporary promotion). However, it is important to note that an increase in pensionable pay will also provide increased pension benefits
 - If you are buying a significant amount of Added Pension/Added Years
 - If you have membership in multiple Schemes e.g. 1995 Section plus 2015 CARE Scheme
 - If you retire on ill health grounds
 - If you had a club transfer into the HSC Pension Schemes
 - If you have other income
10. It is really important that you realise that any other pension savings outside of the HSC Pension Schemes will also contribute towards expending your Annual Allowance. HSC Pension Service will not be aware of this when we provide you with information.

Where can I find out more?

11. There is lots of information and help already available to you and more information will be provided throughout the course of the tax year.
12. As previously mentioned Annual Allowance is very much a Tax matter and is set by HMRC. Information on the rules surrounding Annual Allowance can be found in the [HMRC Tax Manual](#).

The Tax Manual covers topics such as how Pension Input Amounts are calculated as well as how different scenarios can impact on your Annual Allowance. One such topic is backdated pay awards (linked below), which are quite common in the Public Sector.

[PTM053800 - Annual allowance: pension input amounts: backdated pay rises - HMRC internal manual - GOV.UK](#)

13. You are also encouraged to check the Annual Allowance section on the HSC Pension Service website which includes detailed information and is updated regularly.

[Annual Allowance | HSC Pension Service](#)

14. We will soon be providing updates to members who we identify as having breached the Annual Allowance in the 2024/25 tax year. The list below lets you know what you can expect from us:
 - HMRC deadlines you must adhere to
 - A Pension Savings Statement Guide
 - Pension Savings information will be available on the Member Self-Service (MSS) portal by 6 October 2025. If you have breached the standard Annual Allowance of £60,000 we will send you an email directing you to MSS to view your information.
 - For those who may potentially breach the Annual Allowance **this tax year** (2025/26) Pension Savings information will be available on MSS by 6 October 2026.

Points of Contact

15. Finally, if you have any other questions specific to the **Annual Allowance**, please send them to AAqueries@hscni.net.