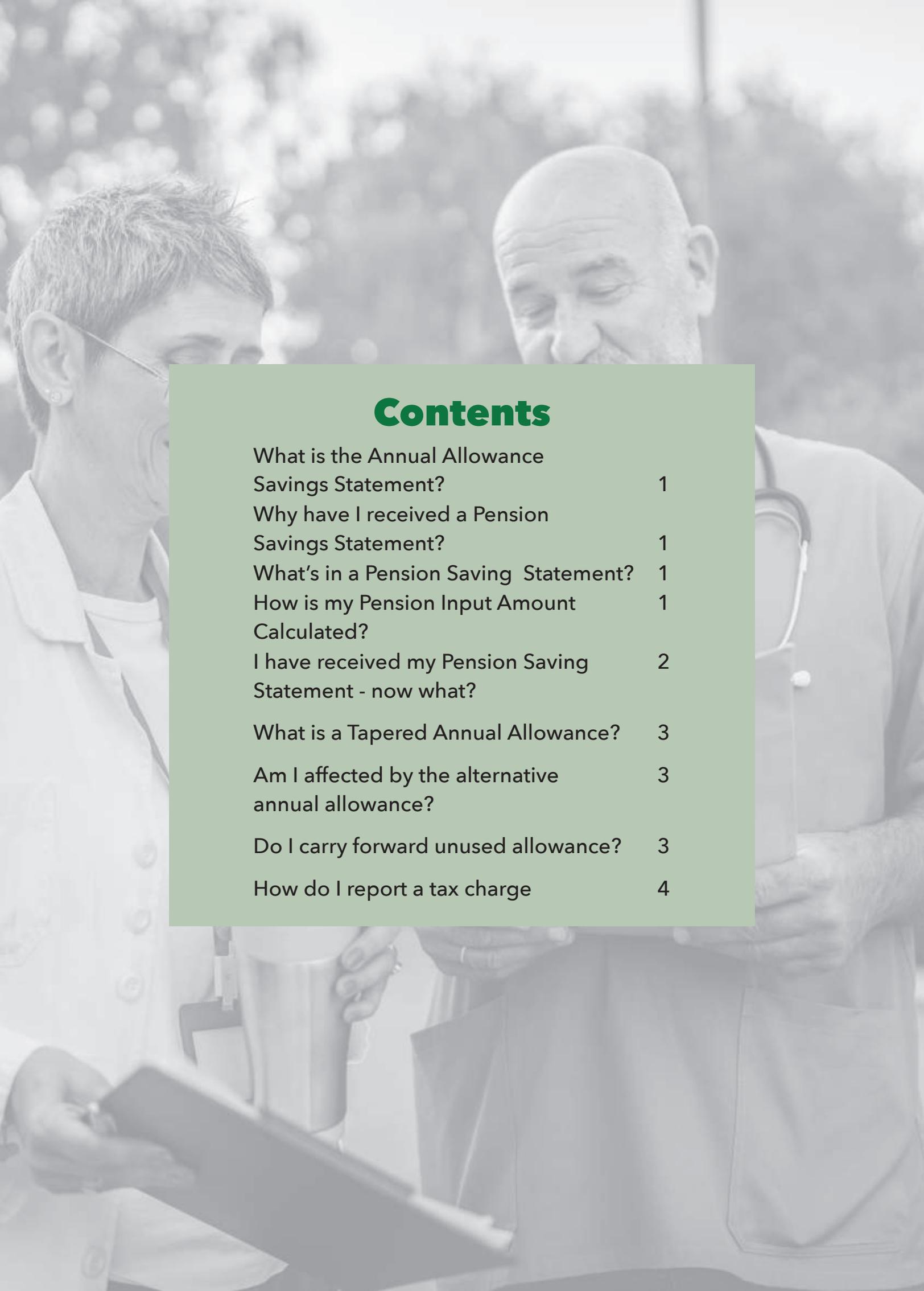




A clear guide to navigating your pension saving statement

Understanding Annual Allowance





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Annual allowance

Understanding your Annual Allowance Pensions Savings Statement under the NHS Pension scheme and the next steps to achieving your goals.

Key annual allowance dates (2025/26 tax year):

6 April:

Start of the pension input period.

6 July:

Employers must send pay and membership data to NHS Pensions.

31 July:

Deadline for Scheme Pays elections.

6 October:

NHS issues statements if pension growth exceeds the allowance.

31 January:

Tax return deadline.

5 April:

End of the pension input period.

1. What is the Annual Allowance Pension Savings Statement

The statement is a summary of your NHS pension scheme, that shows how much your pension has grown over the tax year. Its purpose is to help you check if your pension growth is within your annual allowance, in other words within the tax-free limit for the year (£60,000 for 2025/26). If you are a member of 2 schemes e.g. 1995/2008 and 2015 scheme, then you will receive 2 statements.

2. Why have I received a Pensions Savings Statement?

You receive a Pension Savings Statement for 5 reasons:

1. Your pension growth (known as pension input amount) is above the standard annual allowance (£60,000 for 2025/26)
2. You, or a third party, asked for a statement (known as an 'on-demand' statement).
3. You requested a revised statement because your employer changed your pensionable earnings and/or membership.
4. You retired because of ill health
5. You are a medical, ophthalmic or dental practitioner.

3. What's in a Pension Savings Statement?

1. Your Pension Scheme Tax Reference (PSTR). You need this number to complete self-assessment tax returns.
2. Your Pension Input Period. This is the length of time over which your pension growth is measured. It's aligned with the tax year.
3. The Standard Annual Allowance. (£60,000) This is measured across ALL your pensions schemes; you don't have a separate annual allowance for different schemes.
4. Pension Input Amounts for the last 3 years/Carry Forward amount.

Any unused annual allowance from the last 3 tax years is carried forward.



4. How is my Pension Input Amount calculated?

Your pension input amount is how much your pension has grown over the year. It's the difference between your pension benefits at the beginning of the year (opening value) and your benefits at the end of the year (closing value). It doesn't include contributions you or your employer paid into the scheme.

$$\text{Pension Input Amount} = \text{Closing Value} - \text{Opening Value}$$

Disclaimer:

Tax treatment varies according to individual circumstances and is subject to change.

Opening value:

Step 1:

NHS pensions are calculated up until the day before the start of the pension input period. So if your pension input period starts on 29th October 2025, then your pension is calculated up until 28th October.

Step 2:

Your pension is multiplied by 16. So, if your pension is £20,000. Then, your opening value before inflation is: $20,000 \times 16 = £320,000$.

If you are a member of 1995 NHS scheme, your automatic retirement lump sum is added. Your lump sum is your pension $\times 3$ (e.g. $20,000 \times 3 = £60,000$)

So, $£320,000 + £60,000 = £380,000$

Step 3:

Your opening value is adjusted with inflation. e.g. adjusted Opening Value against inflation of 2% = $£380,000 \times 1.02 = £387,600$

Closing value:

Step 1:

Your NHS pension is calculated up to the last day of your Pension Input Period.

e.g. 28th October 2026.

Step 2:

Your pension is multiplied by 16. So, if your pension is now £22,000 Then your closing value before inflation is: $22,000 \times 16 = £352,000$

If you are a member of the 1995 NHS scheme, your automatic retirement lump sum is added.

So, $£352,000 + £66,000$ (lump sum) = $£418,000$

PIA = Closing value - Opening value ($418,000 - £387,600 = 30,400$)

PIA = 30,400

5. I've received my Pensions Savings Statement, now what happens?

Step 1:

Work out your total pension input amount You need to add up the PIA across all pension schemes, including any membership in a NHS Money Purchase AVC scheme.

Step 2:

Check if you have a tapered Annual Allowance If your income is high, your Annual Allowance may be reduced under the tapered Annual Allowance rules.

For the 2024/25 tax year, tapering applies if:

- Your threshold income is more than £200,000, and
- Your adjusted income is more than £260,000. If both limits are exceeded, your Annual Allowance will reduce gradually to a minimum tapered allowance of £10,000. If your income is below these limits, you do not need to worry about tapering and your standard Annual Allowance remains £60,000.

Step 3:

Check if the Money Purchase Annual Allowance (MPAA) applies The Money Purchase Annual Allowance (MPAA) applies if you have triggered it,

usually by accessing flexible benefits from a money purchase pension (for example, taking income via drawdown from a personal pension). If the MPAA applies: Your allowance for money purchase pension savings is limited to £10,000 per tax year

The standard £60,000 Annual Allowance does

not apply to those savings.

The MPAA does not usually apply solely because you are a member of the NHS Pension Scheme. It typically applies only if you have accessed flexible benefits elsewhere.

Step 4:

Calculate if your total pension input amount is more than your annual allowance If it's equal to or less than the annual allowance you don't need to pay. If it's more than the annual allowance you will need to pay an annual allowance charge to HMRC.

Step 5:

Check how much unused annual allowance you



have If you are above your annual allowance, check to see if you have any annual allowance you can carry forward from the last 3 years.

Step 6:

Work out your annual allowance charge If you still exceed your annual allowance, you need to pay HMRC. So, you need to work out your annual allowance charge. The charge is not a fixed rate tax. It depends on your taxable income plus your excess pension input amount. Your annual allowance charge could be in part as 20%, or in whole as 40-45%.

Step 7:

Report and pay You need to let HMRC know, then decide how you will pay your charge. There is more information later in this guide on reporting and paying.

6. What is Tapered Annual Allowance?

The Tapered Annual Allowance is a reduced Annual Allowance that applies to higher earners.

For the 2024/25 tax year, tapering applies if both of the following conditions are met:

Your threshold income is more than £200,000, and your adjusted income is more than £260,000.

If both conditions are met, your Annual Allowance is reduced by £1 for every £2 of adjusted income above £260,000.

Your Annual Allowance cannot be reduced below £10,000, which is the legal minimum.

Threshold income: This is broadly your taxable income, such as salary, bonuses and other income, after deducting pension contributions.

Adjusted income: This is your threshold income plus your total pension input amount for the tax year across all pension schemes.



7. Am I affected by the alternative annual allowance?

HMRC won't do this for you, so you need to work out yourself if you are affected by a lower alternative annual allowance. If you are over 55 and a member of a money purchase member scheme, including NHS Money Purchase AVC scheme or personal pension, from 2015/2016

You need to:

Work out if you have an alternative annual allowance.

You only have an alternative annual allowance if you also had a Money Purchase Annual Allowance (MPAA) for your money purchase pension.

You have a MPAA if you

- took money out of your money purchase pension flexibly. i.e. took money out whenever.

AND

- paid pension contributions back into your money purchase scheme which were more than the MPAA.

MPAA before 6th April 2017 = £10,000

MPAA from 6th April 2017 = £4,000

8. How do I carry forward unused allowance?

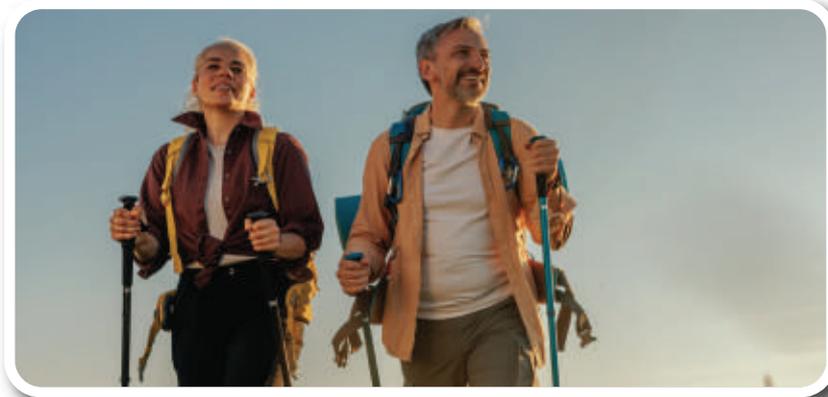
The annual allowance for the relevant tax year is always used first. So your 2025/2026 allowance must be used up before claiming any unused allowance from previous years. Unused allowance is then claimed for the most recent of the last 3 tax years. So, for 2025/2026, you would claim unused allowance from 2024/2025 before 2023/2024 and 2022/2023. If you've already used unused annual allowance in the previous tax year, you cannot use it again, unless you didn't use the entire amount. So, if you used ALL of your unused allowance in 2023/2024, to claim a higher annual allowance in 2024/2025. You can't use it again for 2025/2026. But you could still claim some of this in 2025/2026 if you only used some or part of your unused allowance for 2023/2024.

***Remember** your annual allowance is spread across ALL your pension schemes. Even if you're in 2 schemes (1995/2008 and 2015), you only have one annual allowance. You also need to factor in a tapered or alternative annual allowance if this affects you or affected you in the last 3 years.

9. How do I report and pay a tax charge?

Reporting

To inform HMRC, you need to fill in a self-assessment tax return. You need to fill in the supplementary additional information form (SA101) on the tax return. HMRC has a published help sheet HS345 on the www.gov.uk website to help you complete your self-assessment. Before you complete the self-assessment tax return, you must register for one by completing form SA1 (available on www.gov.uk) The registration process can take up to 20 days. So, you should factor this into your reporting.



Paying

You can pay your annual allowance charge:

1. Directly to HMRC yourself
2. By sharing responsibility with NHS pension scheme (known as 'scheme pays')

i) Scheme pays

The 1995/2008 and 2015 NHS pensions scheme can pay your annual allowance charge. However, your pension benefits will be permanently reduced. You will pay back NHS pension when you retire or transfer out of the scheme. This will be the total of your account and any interest which is deducted from your pension benefits.

If you are a 1995 member your pension and lump sum will be permanently reduced.

If you are a 2008/2015 member your pension will be permanently reduced.

If you are member of 1995/2008 and 2015, then there will be separate reductions in each scheme.

NHS pension will only pay for annual allowance charges incurred in the above schemes. They do not pay any charge incurred on another pension scheme.

Registering for Scheme pay

If you want NHS pension to pay your charge, you need to fill in the scheme pays election notice form (SPE). This is available on the NHS website. You must complete the form by 31st July of the relevant year.

You should send the form earlier than 31st July, if:

- You retire.
- Reach 75.

Once your 'election' or registration is accepted, you can't withdraw it. However, you do have 4 years to change it.

Mandatory scheme pays

It used for annual allowance charges that are more than the standard annual allowance, and where the charge is more than £2,000. A tapered or alternative annual allowance may mean that you don't meet the criteria of a mandatory scheme pay, so you may need to apply for a voluntary scheme pay.

Voluntary scheme pays

It is used for annual allowance charges which don't meet the conditions of Mandatory scheme pay, and where the pension input amount is more than your reduced, tapered or alternative allowance.

Individual pension schemes decide whether they want to offer a voluntary scheme pay if a member doesn't meet the criteria of a mandatory scheme pay. On a voluntary scheme pay you are solely liable for the annual allowance charge until it's paid. You are responsible for late payment interests or penalties. NHSBSA, NHS pension scheme, and NHS employers do not accept any liability for this. Any interest or penalty should be paid directly to HMRC.

Unforeseen death and scheme pay election

If you die before NHS pension pay the annual allowance charge to HMRC, then NHS pension cancel the election and your estate must pay the charge.

If you die after NHS pension have already paid the charge then:

- It's written off (if you're before retirement)
- It will effect your dependent's pension (after retirement)

Key terms:

- **Annual Allowance**
The limit on tax-free pension growth each year (£60,000 standard).
- **Pension Input Amount**
The growth in value of your pension during the tax year.
- **Carry Forward**
Unused allowance from previous years that can be used later.
- **Scheme Pays**
An option to have the NHS Pension Scheme pay your tax charge in exchange for reduced benefits.

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We are committed to delivering a personalized, face-to-face service.

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With over 15 years' experience in the Financial Services Industry, the majority has been spent delivering face-to-face advice and building long-term relationships with clients. Since joining Quilter Financial Advisers, I have worked with both personal and corporate clients providing tailored financial advice. I have attained a Fellowship in Financial Planning which means I have been able to develop expertise in Pension Planning, Investments, Protection, and Inheritance Tax Planning.



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