



A clear guide to your annual allowance

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

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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 whether your pension growth is within your annual allowance: in other words, within the tax-free limit for the year.

£60,000

Standard annual allowance for 2025/26.

Measured across all your pension schemes, not per scheme.

2

Statements if you are in two schemes, for example the 1995/2008 scheme and the 2015 scheme.

3 years

Unused allowance from the last 3 tax years is carried forward.

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 Pensions issues statements if pension growth exceeds the allowance.

31 January

Tax return deadline.

5 April

End of the pension input period.

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

Section 2

Why have I received a Pension Savings Statement?

You receive a Pension Savings Statement for one of five reasons:

- 1 Your pension growth is above the standard annual allowance**
Your growth, known as your pension input amount, is above £60,000 for 2025/26.
- 2 You, or a third party, asked for one**
This is known as an "on-demand" statement.
- 3 You asked for a revised statement**
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**

Section 3

What is in a Pension Savings Statement?



Pension Scheme Tax Reference (PSTR)

You need this number to complete self-assessment tax returns.



Pension input period

The length of time over which your pension growth is measured. It is aligned with the tax year.



Standard annual allowance (£60,000)

Measured across all your pension schemes. You do not have a separate allowance for each scheme.



Pension input amounts for the last 3 years

Your carry forward amount. Any unused allowance from the last 3 tax years is carried forward.

How is my pension input amount calculated?

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

$$\text{Pension input amount} = \text{closing value} - \text{opening value}$$

Opening value

1. Your pension is calculated up to the day before the pension input period starts. If it starts on 29 October 2025, it is calculated up to 28 October.
2. Your pension is multiplied by 16. In the 1995 scheme, your automatic lump sum (pension $\times$ 3) is added.
3. The total is adjusted for inflation, 2% in this example.

£20,000 pension $\times$ 16	£320,000
1995 lump sum: £20,000 $\times$ 3	£60,000
Before inflation	£380,000
Adjusted: £380,000 $\times$ 1.02	
Opening value	£387,600

Closing value

1. Your pension is calculated up to the last day of your pension input period, for example 28 October 2026.
2. Your pension is multiplied by 16. In the 1995 scheme, your automatic lump sum is added.

£22,000 pension $\times$ 16	£352,000
1995 lump sum	£66,000
Closing value	£418,000

Closing value £418,000

Growth £30,400

Opening value £387,600

Pension input amount: £418,000 – £387,600**£30,400**

I have received my statement. What happens now?

Work through these seven steps in order. Steps 1 to 4 tell you whether you are over your allowance; steps 5 to 7 cover what to do if you are.

1

Work out your total pension input amount

Add up the pension input amounts across all your pension schemes, including any membership of an NHS Money Purchase AVC scheme.

2

Check if you have a tapered annual allowance

If your income is high, your annual allowance may be reduced. 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 allowance reduces gradually to a minimum of £10,000. If your income is below these limits, your standard annual allowance remains £60,000.

3

Check if the Money Purchase Annual Allowance (MPAA) applies

The 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 it applies, your allowance for money purchase savings is limited to £10,000 per tax year, and the standard £60,000 does not apply to those savings. It does not usually apply just because you are a member of the NHS Pension Scheme.

4

Check if your total is more than your allowance

If it is equal to or less than your annual allowance, you do not need to pay. If it is more, you will need to pay an annual allowance charge to HMRC.

Within your allowance

No charge to pay.

**Over your allowance**

Carry on to step 5.

Steps 5 to 7: if you are over your allowance

5

Check how much unused allowance you have

If you are above your annual allowance, check whether you have any allowance you can carry forward from the last 3 years. See page 8.

6

Work out your annual allowance charge

If you still exceed your allowance, you need to pay HMRC. The charge is not a fixed rate of tax. It depends on your taxable income plus your excess pension input amount.

7

Report and pay

Let HMRC know, then decide how you will pay your charge. See page 9.

20%

The charge could be **in part** at 20%...

40–45%

...or **in whole** at 40–45%, depending on your taxable income.



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

What is a 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 only if **both** of these conditions are met:

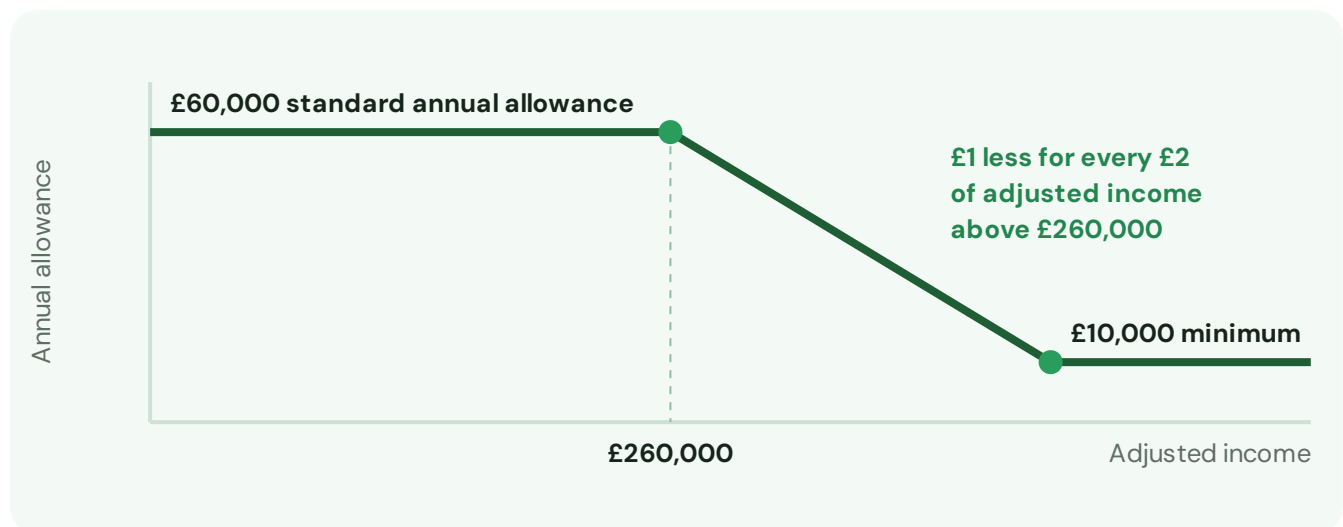
£200,000+

Threshold income is more than £200,000

AND

£260,000+

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. It cannot be reduced below £10,000, which is the legal minimum.

Threshold income

Broadly your taxable income, such as salary, bonuses and other income, after deducting pension contributions.

Adjusted income

Your threshold income plus your total pension input amount for the tax year, across all pension schemes.

Section 7

Am I affected by the alternative annual allowance?

HMRC will not work this out for you, so you need to check yourself whether a lower alternative annual allowance affects you. It can apply if you are over 55 and have been a member of a money purchase scheme from 2015/16, including the NHS Money Purchase AVC scheme or a personal pension. You only have an alternative annual allowance if you also had a Money Purchase Annual Allowance (MPAA). You have an MPAA if:



You took money out of your money purchase pension flexibly, that is, whenever you chose

AND



You paid contributions back in to your money purchase scheme that were more than the MPAA

£10,000

MPAA before 6 April 2017

£4,000

MPAA from 6 April 2017

Section 8

How do I carry forward unused allowance?

First

Your 2025/26 allowance is always used first



Then

Unused allowance from 2024/25



Then

Unused allowance from 2023/24



Last

Unused allowance from 2022/23

If you have already used unused allowance from an earlier year, you cannot use it again, unless you only used part of it. So, if you used *all* of your unused 2023/24 allowance to claim a higher allowance in 2024/25, you cannot use it again for 2025/26. If you only used part of it, you could still claim the rest in 2025/26.

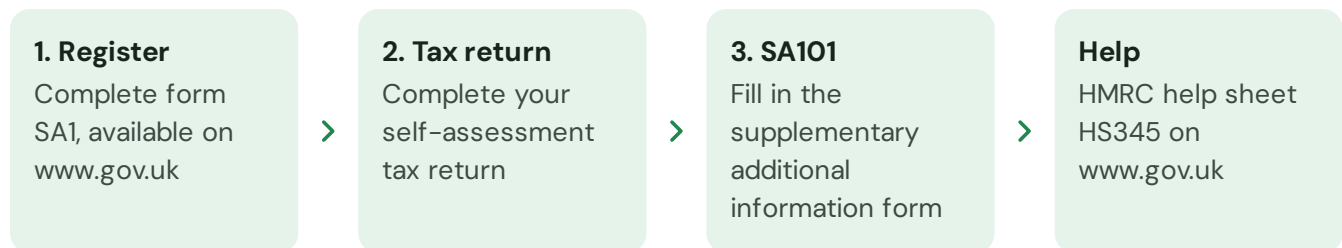


Remember: Your annual allowance is spread across all your pension schemes. Even if you are in two schemes (1995/2008 and 2015), you only have one annual allowance. You also need to factor in a tapered or alternative annual allowance if this affects you, or affected you in the last 3 years.

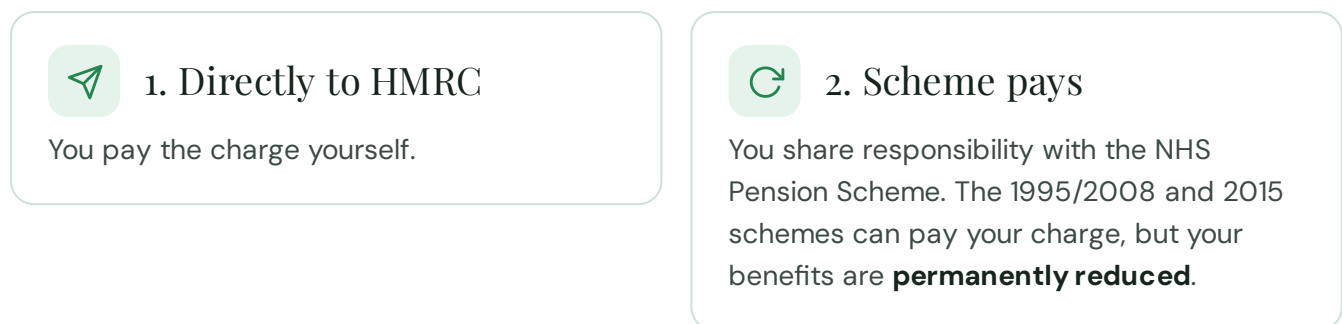
How do I report and pay a tax charge?

Reporting

To inform HMRC, you need to fill in a self-assessment tax return. Registration can take up to 20 days, so allow for this.



Paying



With scheme pays, you repay NHS Pensions when you retire or transfer out of the scheme. This is the total of your account plus any interest, deducted from your pension benefits.

If you are a member of...	What is permanently reduced
The 1995 scheme	Your pension and lump sum
The 2008 or 2015 scheme	Your pension
The 1995/2008 and 2015 schemes	Separate reductions in each scheme

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

Registering for scheme pays

If you want NHS Pensions to pay your charge, fill in the Scheme Pays Election notice form (SPE), available on the NHS website.

31 July	Deadline to complete the SPE form for the relevant year.
Earlier	Send it before 31 July if you retire or reach 75.
4 years	Once your election is accepted, you cannot withdraw it , but you have 4 years to change it.



Mandatory scheme pays

Used for charges on growth above the **standard** annual allowance, where the charge is more than £2,000. A tapered or alternative allowance may mean you do not meet these criteria, so you may need to apply for voluntary scheme pays.



Voluntary scheme pays

Used for charges that do not meet the mandatory conditions, where your growth is above your reduced, tapered or alternative allowance. Each scheme decides whether to offer it. **You stay solely liable for the charge until it is paid**, including any late payment interest or penalties, which are paid directly to HMRC. NHSBSA, the NHS Pension Scheme and NHS employers accept no liability for this.

Unforeseen death and scheme pays

If you die...	What happens to the charge
Before NHS Pensions pays HMRC	The election is cancelled and your estate must pay the charge
After NHS Pensions has paid, before retirement	It is written off
After NHS Pensions has paid, after retirement	It will affect your dependant's pension

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

Key terms

Annual allowance

The limit on tax-free pension growth each year (£60,000 standard).

Carry forward

Unused allowance from previous years that can be used later.

Tapered annual allowance

A reduced allowance for higher earners, down to a minimum of £10,000.

Pension input amount

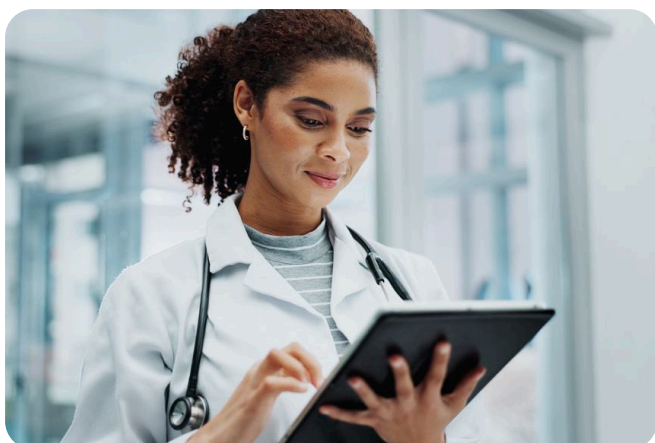
The growth in value of your pension during the tax year.

Scheme pays

An option to have the NHS Pension Scheme pay your tax charge in exchange for reduced benefits.

Money Purchase Annual Allowance (MPAA)

A lower allowance for money purchase savings once you have accessed them flexibly.



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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.

Talk to us about your statement

If your statement shows growth above your allowance, we can help you work through the steps in this guide, from carry forward to scheme pays.

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About us

Wealth Genius is a specialist financial planning firm. Our dedicated team have in-depth knowledge of the NHS pension system, and the career paths of doctors, dentists, GPs and locums.

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