

7 & 10 July 2015

**CIPFA / MyCSP
Pension Tax Limits**



Introduction to MyCSP

- First joint-venture mutual to 'spin out' of Central Government in 2012
- Public sector pensions expertise including the Civil Service, NHS, LGPS and Police
- Provide pensions administration, employer training, member engagement services and pension tax support
- Administer pensions for over 250 government and ex-government bodies and 1.5 million members

MyCSP supports:



Tax limits on pension savings

Lifetime Allowance (LTA) is the limit on the amount of tax efficient pension saving you can build up in your lifetime across all your pension arrangements

Annual Allowance (AA) is the limit on the amount of tax efficient pension saving you can make in any tax year

If you save more than these limits, a tax charge may apply

Annual Allowance

- Annual Allowance reduced from 2014/15 tax year
- £50k limit reduced to £40k limit
- If you save over the limit a tax charge may apply

**Marginal rate
tax charge
if over AA**

Lifetime Allowance

- Further reduction in Lifetime Allowance:
 - £1.5m 2013/14 tax year
 - £1.25m 2014/15 and 2015/16 tax years
 - £1.0m 2016/17 tax year
 - Increased annually by reference to CPI from 6 April 2018.
- As per previous changes, transitional protection will be introduced for pension rights in excess of £1m as at April 2016 – details not yet confirmed
- Can apply for “Individual Protection 2014” (to protect up to £1.5m) until 5 April 2017

**55% tax charge
if over LTA**

Annual Allowance - Who might be affected?

- LGPS / NHS members earning over £90,000, or salary of £70k with promotion
- Police / Firefighters earning over £70,000 or £50,000 with promotion
- Enhanced ill-health pension
- Additional contributions

Even moderate earners can be caught

Lifetime Allowance - Who might be affected?

2014/15

&

2015/16

£62,500p.a.

Or

**£54,350p.a.
if cash in
addition**

2016/17

£50,000p.a.

Or

**£43,500p.a.
if cash in
addition**

If individual has accrued pension savings outside of LGPS (historic or current) or has additional voluntary contributions (AVCs), these will be included when assessing total pension benefits against the lifetime allowance, and above thresholds will reduce

What do members need to know/do?

- Breach the Annual Allowance
 - aggregate all pensions
 - carry forward
 - scheme pays
 - self-assessment
- Breach the Lifetime Allowance
 - aggregate all pensions
 - paying the tax (pension and lump sum)
 - self-assessment
- Protection

Documentation – what and where?

Pension Saving Statement 01/01/2011 - 31/12/2011 for member NINO member no.

Important information – please retain for your tax records

Increase in the value of your Civil Service pension in the Pension Input Period (PIP): 01/01/2011 to 31/12/2011	£	This is known as the 'Pension Input Amount'
The Annual Allowance applicable in the tax year	£50000	This applies to <u>all</u> your pension savings.

Any increase in the value of your pension above the Annual Allowance is taxable. **You may offset the taxable amount against any unused Annual allowance from the previous three Pension Input Periods.** See below for the amounts used by your Civil Service pension in the past three years. They are shown in the order that you can apply the offset.

Please note that the Annual Allowance applies to all of your pension savings so if you have any pension savings other than your Civil Service pension, which are not included in this statement, you must also take those into account. Please note that if you make Civil Service Additional Voluntary Contributions (CSAVCs) that they are not included in this statement.

	Pension Input Amount	Annual Allowance applicable in the tax year
Tax year 1 01/01/2008 - 31/12/2008	£	£50000
Tax Year 2 01/01/2009 - 31/12/2009	£	£50000
Tax Year 3 01/01/2010 - 31/12/2010	£	£50000

The Scheme PIP year runs from 1 January to 31 December and relates to the tax year in which the PIP year ends. For example, PIP year 1 January to 31 December 2011 = Tax year 2011-12. Notional allowances of £50,000 apply for the tax years 2008, 9 and 10.

MyCSP, as your pensions administrator, is required by law to provide a Statement to anyone whose Civil Service pension increases by more than the Annual Allowance in any Pension Input Period. To account for any tax payable, you must arrange with HMRC to complete a self assessment tax return. Please contact your tax office if you have any queries.

For information about the Annual Allowance, please see the HMRC website www.hmrc.gov.uk

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Statement

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Pension savings annual allowance calculator

Enter your pension input amounts against the relevant tax years below and click the 'Calculate' button. The results screen will then show how much annual allowance you can carry forward from the three previous years. The ability to carry forward unused annual allowance was introduced from 6 April 2011.

The 2012 Autumn Budget statement proposed reducing the annual allowance limit from £50,000 to £40,000 from 6 April 2014. This calculator will use the current limit until this becomes law. Despite the annual allowance rate being higher before 2011 a limit of £50,000 is used for carry forward purposes.

Current Annual Allowance Limit £ **£50000.00**

2008/09 Amount: £ 35000

2009/10 Amount: £ 40000

2010/11 Amount: £ 30000

2011/12 Amount: £ 45000

2012/13 Amount: £ 30000

2013/14 Amount: £ 0.00

2014/15 Amount: £ 0.00

2015/16 Amount: £ 0.00

Calculate

HMRC
Calculator

HM Revenue & Customs Additional information
Tax year 6 April 2012 to 5 April 2013

These pages:

- are for less common types of income, deductions and tax reliefs, and for other information
- if completed, are to be sent back with your tax return (please do not send these pages back if you have made no entries on them).

If you think that you need to complete these pages, go to hmrc.gov.uk or phone 0845 9000 404 and ask us for the Additional information notes.

Pension savings tax charges and taxable lump sums from overseas pension schemes

5 Value of pension benefits in excess of your Available Lifetime Allowance, taken by you as a lump sum	11 Amount of unauthorised payment from a pension scheme, not subject to surcharge
6 Value of pension benefits in excess of your Available Lifetime Allowance, not taken as a lump sum	12 Amount of unauthorised payment from a pension scheme, subject to surcharge
7 Lifetime Allowance tax paid by your pension scheme	13 Foreign tax paid on an unauthorised payment (in £ sterling)
8 Amount saved towards your pension, in the period covered by this tax return, in excess of the Annual Allowance	14 Taxable short service refund of contributions (overseas pension schemes only)
9 Annual Allowance tax paid or payable by your pension scheme	15 Taxable lump sum payment (overseas pension schemes only)
10 Pension scheme tax reference number - read the notes	16 Foreign tax paid (in £ sterling) on boxes 14 and 15

Tax Return
Additional
Information

Pension Scheme Options

- 50/50 option (LGPS only)
- Commutation
- Early / Late retirement
- Extra Pension – Added Years / AVCs
- Ill health benefits

How CIPFA / MyCSP can help

- “Pensions Tax” service providing seminars and 1-1s
- Allows employers to support senior employees
- Covers Annual and Lifetime Allowances
- Relevant to high earners or staff affected by reduced limits
- Even more staff expected to be affected from April 2016 when LTA reduces to £1m
- Interactive sessions led by experienced presenters
- Sessions are for information, not advice

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