

## Your guide to NHS Pensions & the annual allowance

The **annual allowance** was introduced in HMRC legislation on **6 April 2006**. This is sometimes called A-day.

If you have a NHS Pension, you have an annual allowance of **£40,000.00** before any tax is to be paid. This is how much you can grow or add to your pension benefits in one year. The limit applies to everything that you save towards your pension and pension benefits, not just your NHS Pension Scheme benefits. Your state pension doesn't count towards your annual allowance.

### How does it work?

NHS Pensions use this calculation to check the amount of growth of your pension against the annual allowance at the start and end of the tax year.

- **At the start of the tax year: Your annual pension x 16 + your lump sum if you're in the 1995 section only + CPI%\* = The value of your NHS Pension Scheme benefits at the start of the tax year.**
- **At the end of the tax year: Your annual pension x 16 + your lump sum if you're in the 1995 section only = The value of your NHS Pension Scheme benefits at the end of the tax year**
- **The value of your NHS Pension Scheme benefits at the end of the tax year – The value of your NHS Pension Scheme benefits at the start of the tax year = how much your NHS Pension Scheme benefits have grown in a tax year.**

In **April 2016** HMRC introduced a **tapered annual allowance**. There is a different guide which explains this.

If your NHS Pension Scheme benefits grows by more than **£40,000** in a tax year, then NHS Pensions will let you know by sending you a Pensions Savings Statement. They need to do this within 3 months after having all the information they need to calculate your pension growth, or by 6 October after then end of the tax year – whichever is the later. If you've gone over the limit, NHS Pensions will let you know.

\*CPI consumer price index %

### What if I go over my allowance?

If you go over your annual allowance you might need to make a payment to HMRC. The amount of the payment you will need to pay to HMRC depends on how much you have gone over the allowance, and if you have any amounts available to carry forward. You can 'carry forward' any of your annual allowance that you have not used from the last 3 tax years to reduce how much you might need to pay to HMRC.

You can pay the charge directly to HMRC, or you can ask NHS Pensions to pay it to HMRC for you, under the scheme pays option. There is a separate guide which explains about this option.



You'll find lots more information in the **'Ask Us' knowledgebase**, on the **NHS Pensions website** and in the **HMRC Pension Tax Manual**. You should always think about getting independent financial advice about your pension and potential tax implications.