

Your guide to NHS Pensions & the Lifetime Allowance

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

Your Lifetime Allowance is the amount of your annual pension and lump sum you can take before you need to pay any charges to HMRC. 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 Lifetime Allowance.

How does it work?

The amount of the Lifetime Allowance has varied since A-day and from **6 April 2020** it is **£1,073,100.00**. You can find more detailed information at [hmrc.gov.uk](https://www.hmrc.gov.uk).

To check your NHS Pensions Scheme benefits to be paid against this figure, NHS Pensions uses this formula:

- **Your annual pension x 20 + your lump sum = the value of your pension scheme benefits.**

This amount is known as the capital value and this is converted to a percentage of Lifetime Allowance used:

- **Capital value x 100 / Lifetime Allowance (at the time your pension benefits are to be paid) = Percentage of your Lifetime Allowance used.**



When is your Pension checked?

This check is done at the later of:

- the payable date of your pension benefits, or
- the date all the information is received to calculate pension benefits.

If the result adds up to more than your Lifetime Allowance amount then a charge is payable to HMRC. NHS Pensions has to pay this charge before your NHS Pension Scheme benefits can be authorised to be paid to you.

The charge on the capital value of your annual pension over the Lifetime Allowance is 25%. The charge on the excess lump sum is 55%. NHS Pensions will take these charges directly from your annual pension and lump sum. The deductions from your pension are at a rate that is set by the Scheme's Actuaries depending on your age at the time your pension benefits are awarded.

There are also limits on how much of a lump sum can be paid, which are the lower of:

- 25% of the capital value of the pension benefits to be paid; or
- 25% of the remaining Lifetime Allowance.

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.