**Annual Allowance**

**Important information if you have an Annual Allowance tax charge for 2022-23**

**Purpose**

The purpose of this note is to provide an update on the impact of the McCloud/2015 Remedy on the provision of Pension Savings Statements for the Annual Allowance over the coming 12 months.

**What does this mean?**

All scheme members who are eligible for Remedy will need to decide, at or following retirement about their pension benefits for the remedy period between 1 April 2015 and 31 March 2022.

You will be eligible for the 2015 Remedy if you joined a public service pension scheme on or before 31 March 2012 and were still a member of the scheme on or after 1 April 2015, or left public service after 31 March 2012 but returned within 5 years.

**What is a Pensions Savings Statement (PSS)?**

A PSS is a written statement of the amount of pension saving in a pension scheme for a tax year. The UK Government sets limits on the amount a person can build up in their pension schemes each year to benefit from tax relief. This limit is known as the Annual Allowance (AA) and for the 2022/23 year has been set at £40,000.

Any growth in the value of pension benefits above this will be subject to a tax charge unless there is sufficient allowance “carried forward” from the previous three years. This growth in value is known as the “pension input amount”.

**Provision of Pension Savings Statements (2022/2023)**

1. **If you were moved into the 2015 scheme between 1 April 2015 and 31 March 2022**

In recognition of the significant impact of Remedy on the administration of pensions, the legislative deadline for issuing 2022/2023 PSS for AA purposes to those affected by the McCloud/Sargeant Ruling, has been extended to **6 October 2024** by HMRC.

In addition, your deadline to elect for Scheme Pays has also been extended, to 31 July 2025 by HMRC.

You should not report your 2022/23 AA position through self-assessment. You will be subject to a new separate reporting framework which will be created by HMRC especially for the McCloud/2015 remedy.

But if you would need to submit a self-assessment tax return for 2022/2023 anyway, for other purposes, not only because of the Annual Allowance, you will still need to submit your self-assessment by the deadline of 31 January 2024, but you’ll need to leave out the Annual Allowance information and report it on the new separate reporting framework, once available.

1. **If you remained in the legacy scheme between 1 April 2015 and 31 March 2022, OR if you joined a public service pension scheme on or after 1 April 2012**

If you have breached the annual allowance during 2022/23, you will receive your AA PSS for 2022/2023 by 6 October 2023.

Your deadline for reporting to HMRC will remain the same, 31 January 2024 under self-assessment. You will not need to report this under the new HMRC process.

Your deadline to elect for scheme pays will be 31 July 2024.

**Example 1 – Impacted by the McCloud/2015 Remedy**

Cyril is impacted by the public service pensions remedy as he joined a public service pension scheme on or before 31 March 2012 and was still a member of the scheme on or after 1 April 2015, and was moved to the Firefighter Pension Scheme 2015 during 2015 to 2022.

He is still an active member of the Firefighter Pension Scheme at 1 October 2023. Cyril thinks he may have an AA charge for the 2022/23 tax year but as he is impacted by the remedy, he does not include details of his AA charge on his self-assessment return for 2022/23.

Cyril receives his pension savings statement for the 2022/23 tax year in July 2024. Using the AA calculator, he works out that he is liable to an AA charge of £6,500 in the tax year 2022/23.

Cyril asks for the Firefighter Pension Scheme to pay the charge in exchange for a reduction to his Firefighter Pension benefits. His deadline to elect for this is 31 July 2025. Cyril must submit information to HMRC by 31 January 2025 using the new process. When sending the required information to HMRC, Cyril must provide details of the scheme who will pay the charge on his behalf.

**Example 2 – Joined a public service pension scheme after 31 March 2012**

Sabina was not impacted by the public service pensions remedy as she joined a public service pension scheme after 31 March 2012. She was moved to the Firefighter Pension Scheme 2015 during 2015 to 2022.

She is still an active member of the Firefighter Pension Scheme and receives her pension savings statement for the 2022/23 tax year before 6 October 2023. Using the AA calculator, Sabina works out that she is liable to an AA charge of £2,500 in the tax year 2022/23.

Sabina asks for the Firefighter Pension Scheme to pay the charge in exchange for a reduction to her Firefighter Pension benefits (called ‘scheme pays’). Her deadline to elect for this is 31 July 2024. She must submit information to HMRC by 31 January 2024 using self-assessment. When sending the required information to HMRC, Sabina must provide details of the scheme who will pay the charge on her behalf.

**Example 3 – Remained in legacy scheme during the remedy period**

Simon was impacted by the public service pensions remedy as he joined a public service pension scheme before 1 April 2012 but he had full protection from the 2015 reforms meaning he remained in the final salary Firefighter Pension Scheme during 2015 to 2022 and was not moved to the 2015 scheme until 1 April 2022. As Simon’s service between 2015 and 2022 does not need to be converted back to the legacy scheme, he is still subject to the usual deadlines in respect of his annual allowance.

He is still an active member of the Firefighter Pension Scheme and receives his pension savings statement for the 2022/23 tax year before 6 October 2023. Using the AA calculator, Simon works out that he is liable to an AA charge of £5,000 in the tax year 2022/23.

Simon asks for the Firefighter Pension Scheme to pay the charge in exchange for a reduction to his Firefighter Pension benefits (called ‘scheme pays’). His deadline to elect for this is 31 July 2024. He must submit information to HMRC by 31 January 2024 using self-assessment. When sending the required information to HMRC, Simon must provide details of the scheme who will pay the charge on his behalf.

**Further information**

[HMRC’s Newsletter on the public service pensions remedy – August 2023](https://www.gov.uk/government/publications/public-service-pensions-remedy-newsletter-august-2023/newsletter-on-the-public-service-pensions-remedy-august-2023#reporting-of-annual-allowance-aa-tax-charge-for-2022-to-2023)

[HMRC’s Annual Allowance Tax Charge calculator](https://www.tax.service.gov.uk/pension-annual-allowance-calculator/)