

The background of the slide is a landscape photograph. The top half shows a clear blue sky above a distant horizon line where several wind turbines are visible. The bottom half shows a dark, semi-transparent overlay containing the title text, with a lighter, more detailed view of a green valley and rolling hills appearing at the very bottom of the slide.

# Local Government Pension Scheme

## Annual Allowance: Scheme Pays

### August 2024

## Contents

Introduction .....	3
Self-assessment tax return .....	3
Calculating your annual allowance charge .....	3
Paying the charge.....	3
Scheme Pays .....	4
Survivor benefits .....	4
Rejection of the Scheme Pays form .....	4
Scheme Pays application deadline.....	5
Contacting the Clwyd Pension Fund .....	6
Disclaimer.....	6

## Introduction

Your annual allowance is the amount the value of your pension benefits can grow in a tax year without you having to pay a tax charge. If the value of your pension savings from 6th April to 5th April is more than your annual allowance, the excess will be taxed unless you have unused allowance from the previous three tax years (known as **carry forward**) that can be used against the excess.

If you do have to pay a tax charge, you will need to report and pay the charge to HM Revenues & Customs. To report the charge to HM Revenue & Customs, you will need to complete a **self-assessment tax return**.

## Self-assessment tax return

You must tell HM Revenue & Customs about your pension savings and liability to the annual allowance charge by completing the 'pension savings tax charges' section of the return. If you are not completing the return online, you will need to complete form SA101. The Local Government Pension Scheme (LGPS) tax reference number that you will need to put on the form is **00329946RE**.

If you have not completed a tax return before, you will need to complete a registration form to let HM Revenue & Customs know about the charge and to get a tax return from them. More information about this can be found at:

<https://www.gov.uk/log-in-file-self-assessment-tax-return>

## Calculating your annual allowance charge

You can find more details about working out your annual allowance charge in HM Revenue & Customs' Pensions Tax Manual. This can be found on their website:

[www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm056110](http://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm056110)

## Paying the charge

There are two payment options available to you:

1. If the charge is **less than £2,000**, you must pay the charge yourself on your return as a self-assessment taxpayer
2. If the charge is **more than £2,000**, and so long as certain conditions are met, you can choose for the Clwyd Pension Fund to pay the charge on your behalf by using the **Scheme Pays** option

If you choose to pay the charge yourself, you normally have to do this by the self-assessment payment deadline, which is **31st January 2025** for your 2023/2024 statement.

However, if you are paying the charge directly to HM Revenue & Customs online, the deadline is **30th December 2024**.

Whether you pay the charge yourself directly to HM Revenue & Customs or you choose for the Clwyd Pension Fund to pay the charge on your behalf under Scheme Pays, you will need to let HM Revenue & Customs know about your annual allowance tax charge on your self-assessment tax return. If you are choosing to pay the tax charge through Scheme Pays, you must let HM Revenue & Customs know this too.

## Scheme Pays

An annual allowance charge can be a large amount of money. If it is greater than £2,000 and the charge has happened because of your pension savings with the Clwyd Pension Fund, you can choose for the fund to meet **all or some** of the charge on your behalf, in return for a **permanent reduction** to your pension benefits.

If you choose for the Clwyd Pension Fund to only pay a part of the charge, you would then pay the rest directly to HM Revenue & Customs. This means that your Scheme Pays form that you must return to the Clwyd Pension Fund does not have to be for the full amount of the tax charge.

If you think you will be affected and want to learn more about the Scheme Pays option, please contact the Clwyd Pension Fund as soon as possible, as there are strict deadlines for Scheme Pays.

Before Scheme Pays can be applied to your pension, conditions must be met and you will need to complete a Scheme Pays form which is available from the Clwyd Pension Fund. If you have asked the Clwyd Pension Fund to pay your annual allowance tax charge on your behalf, you cannot change your mind at a later date.

## Survivor benefits

Any Scheme Pays debit will **not** impact on any survivor's pensions which may be payable when you die. Survivor's pensions can be paid to your:

- Husband
- Wife
- Registered civil partner
- Eligible cohabiting partner (not available in LGPS Councillor scheme)
- Eligible children

## Rejection of the Scheme Pays form

The Clwyd Pension Fund will **not** pay the annual allowance tax charge on your behalf if:

- You do not meet the Scheme Pays conditions; or

- The whole of the annual allowance tax charge does not relate to your Clwyd Pension Fund benefits; or
- The Scheme Pays form has not been received by the statutory specified deadlines; or
- Your pension benefits are already in payment from the Clwyd Pension Fund; or
- You are over age 75 and the Scheme Pays form was not received before your 75th birthday; or
- You have transferred your benefits from the Clwyd Pension Fund or have taken a refund of your pension contributions; or
- You do not have enough pension left to pay the annual allowance tax charge when the permanent reduction is applied to your benefits

## Scheme Pays application deadline

You cannot complete a Scheme Pays form before the end of the tax year in which the annual allowance tax charge happens (unless you are approaching retirement or plan to transfer out). You must complete the form no later than **31st July** following the January in which the annual allowance tax charge must be declared on your tax return.

Tax Year	Annual Allowance Tax Charge Reported	Deadline
<b>2022/2023</b>	31st January 2024	31st July 2024
<b>2023/2024</b>	31st January 2025	31st July 2025

If you retire and become entitled to all of your benefits from the Clwyd Pension Fund, you must let us know well before your retirement date, so that your Scheme Pays form is on file before we process your benefits. If you are transferring your benefits from the Clwyd Pension Fund, your Scheme Pays form must be received well before the transfer is completed. You must also let the Clwyd Pension Fund know if you want to use Scheme Pays before you reach age 75 (especially if you reach age 75 in the tax year when your annual allowance charge happened).

### Please note

The Clwyd Pension Fund **cannot give any financial advice**. You will need to think about what the best option is for your own personal situation. You should make sure that you fully understand the implications of choosing Scheme Pays.

You should get **independent financial advice** from an adviser with knowledge of the LGPS.

You can use the following websites if you want to when you are searching for an adviser in your area:

- <https://www.unbiased.co.uk/>
- <https://www.moneyhelper.org.uk/en/getting-help-and-advice/financial-advisers/choosing-a-financial-adviser?source=mas>

## Contacting the Clwyd Pension Fund

This factsheet gives general guidance only. If you need more information or you have any questions about your LGPS membership or benefits, please contact the Clwyd Pension Fund:

**Phone:** 01352 702981

**Email:** [pensions@flintshire.gov.uk](mailto:pensions@flintshire.gov.uk)

**Address:** Clwyd Pension Fund, County Hall, Mold, Flintshire, CH7 6NA

**Website:** <https://mss.clwydpensionfund.org.uk>

## Disclaimer

This factsheet is based on our current understanding of the Scheme Pays rules (as at **April 2024**). This leaflet is for information only and does not cover every personal circumstance. The issues involved are complex and the Clwyd Pension Fund cannot provide any personal guidance or advice.



[mss.clwydpensionfund.org.uk](https://mss.clwydpensionfund.org.uk)

**Clwyd Pension Fund, County Hall, Mold, Flintshire, CH7 6NA**

Please note that Flintshire County Council is the administrative authority of the Clwyd Pension Fund and we use your personal data in accordance with Data Protection legislation to provide you with a pension administration service. For more information about how we use your data, who we share it with and what rights you have in relation to your data, please visit the Privacy Notice on our website.