

**TO:** GP Contract Holders and performers of primary medical services under GMS, PMS and APMS contracts (including Type 1 and Type 2 Medical Practitioners and Freelance GP Locums)

Skipton House  
80 London Road  
LONDON  
SE1 6LH

11 March 2020

Dear colleague

## **PENSIONS TAX IMPACTS ON NHS GENERAL PRACTICE – A SOLUTION FOR 2019/20**

Many of you have had first-hand experience of the effect on work patterns caused by the annual allowance pensions tax, and the annual allowance taper. Each have impacted on an increasing number of clinical staff in the NHS Pension Scheme. The purpose of this letter, and the accompanying online FAQs, is to set out how the 2019/20 Annual Allowance Compensation Policy, “the commitment”, will apply to general practice. The Government has today announced a new regime to apply from April 2020.

### **Who is in scope?**

NHS England is committed to ensuring that General Practitioners, and other eligible clinical staff who are

- Contract Holders,
- engaged or employed by a Contract Holder, or
- a subcontractor of a Contract Holder,

and who fulfil all other criteria set out in the FAQs – *Who is eligible for the commitment?* (“**Eligible Clinicians**”) can take advantage of the offer.

Eligible Clinicians have been and remain able to take on additional shifts or sessions during the remainder of 2019/20 without worrying about paying an annual allowance charge with respect to NHS pension benefits, or the annual allowance tax charge for 2019/20 impacting financially at retirement. We hope that with this short-term measure, and the implementation of our other plans for investment and reform in general practice, we will retain the ongoing commitment and skills of clinical staff.

***We have sent this letter to you directly. However, please can you ensure that this letter is shared with all clinicians working for your practice whether employed or locums who may be “Eligible”.***

NHS England and NHS Improvement



## The legal basis of the offer

The legal basis of this offer is made under section 96 of the NHS Act 2006.

The following paragraphs constitutes the offer:

- (i) of the administration of certain payments (on behalf of Contract Holders as defined below) to GP performers (in their capacity as Eligible Clinicians) who provide primary medical services under General Medical Services (GMS), Personal Medical Services (PMS) or Alternative Provider Medical Services (APMS) contracts (“Performers”) in respect of their annual allowance tax charge for 2019/20, on the terms set out below; and
- (ii) of financial assistance from NHS England as the commissioner of primary medical services to all persons contractually engaged to provide primary medical services under General Medical Services (GMS), Personal Medical Services (PMS) or Alternative Provider Medical Services (APMS) contracts (a “**Contract Holder**”) in respect of financial assistance in relation to the annual allowance tax charge for 2019/20 for Eligible Clinicians on the terms set out below.

The commitment to pay Eligible Clinicians pensions annual allowance tax charge with respect to 2019/20, means they will be compensated in retirement for the effect of the 2019/20 Scheme Pays tax deduction on the basis set out in the FAQs. Any entitlement to payments under this commitment will arise only when Eligible Clinicians take their retirement benefits under the NHS Pension Scheme.

Clinicians’ rights under the NHS Pension Scheme are not impacted by this offer. As in any year a clinician’s pension will be reduced if they use Scheme Pays for 2019/20 to pay HMRC for any pension tax liabilities incurred. However, on retirement NHS England will ensure that payments are made of a sum equal to the amount of any reduction to a clinician’s retirement pension that are incurred through use of Scheme Pays in 2019/20. This will include any reduction to a tax-free lump sum, grossed up for applicable taxes at that point in time.

This commitment applies to all Eligible Clinicians who are members of the 1995/2008 and 2015 NHS Pension Schemes. It will apply to all pension savings built up in the NHS Pension Schemes in 2019/20 (but not annual allowance tax charges which may arise due to pension savings built up outside the NHS Pension Schemes, nor additional voluntary contributions (AVCs) within the NHS Pension Scheme such as additional pension purchases in 2019/20).

It is intended that the NHS Business Services Authority (NHS BSA), who already administer the NHS Pensions Scheme, will deliver the payments on behalf of NHS England.

## Reassurance for staff

The benefit promise under the NHS Pension Scheme, is underwritten by the Government. The Secretary of State for Health and Social Care made a clear statement in December 2019 that he will also take responsibility for this payment if the relevant NHS body no longer exists to do so.

This letter therefore gives Eligible Clinicians assurance that they can undertake any combination of clinical roles for the NHS during the 2019/20 tax year without suffering any financial loss as a result of the annual allowance pensions tax, subject to using the Scheme Pays mechanism as explained in the FAQs. This includes any additional work related to the response to coronavirus.

This benefit promise will be made to a beneficiary in the event of the death of an Eligible Clinician.

You are advised to read the online FAQs, which can be found at <https://www.england.nhs.uk/pensions/> which should help you understand how this arrangement operates, and what you need to do in order to ensure that it works for you personally.

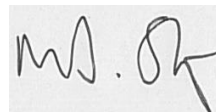
Finally, pensions tax is a complex subject. NHS Employers have provided guidance on the pensions annual allowance available at [www.nhsemployers.org/pay-pensions-and-reward/pensions/pension-resources/annual-and-lifetime-allowance](http://www.nhsemployers.org/pay-pensions-and-reward/pensions/pension-resources/annual-and-lifetime-allowance)

We will be writing to you again with further details about the actions that need to be taken, including the process to confirm eligibility.

Yours faithfully



Ed Waller  
Director, Primary Care Strategy  
and NHS Contracts



Matthew Style  
Director, Strategic Finance