

# 2019/20 Annual Allowance Compensation Policy

A quick guide for **clinicians**

# What is the Policy?

- In recent years many of our NHS staff have been affected by pensions tax rules and in particular, the Annual Allowance. Feedback that we have received suggests that this has had an impact on staff who want to help their patients by working additional hours.
- As a result of the impact that pensions tax rules were having on our frontline services NHS England (NHSE) introduced this Policy to help combat the problem. Therefore, NHSE decided to take exceptional action so that:

Clinicians who are members of the NHS Pension Scheme (“NHSPS”) and face an Annual Allowance charge in respect of the 2019/20 tax year will be able to have this charge paid by the NHSPS (by completing and returning a ‘Scheme Pays’ form) meaning that they **don’t have to worry about paying the charge now** out of their own pocket.

**And**

The NHS employer will make a contractually binding commitment to pay them a corresponding amount on retirement, ensuring that they are **fully compensated in retirement** for the effect of the 2019/20 Scheme Pays deduction on their income from the NHSPS in retirement.

- The Policy and benefits due under it are **guaranteed** by NHSE and the Secretary of State for Health and Social Care. They will be administered by the NHS Business Services Authority (“NHSBSA”). It is a separate scheme from the NHS Pension Scheme.

This document explains how you can access the Policy if you are eligible. Turn over to check if you’re eligible.

# Am I eligible?

- Before you apply for the Policy you need to check that you're eligible. The Policy will only be available to “Eligible Clinicians” who meet the following criteria:
  - ✓ are members of the NHSPS in the tax year 2019/20
  - ✓ are employed or engaged in a clinical role delivering care to NHS patients that requires registration with an appropriate healthcare regulatory body (for detailed information see the “Professional Standards Authority – Which professions are regulated” website [here](#)).
  - ✓ have a valid registration for the period of the 2019/20 “Scheme Pays” election
  - ✓ receive a tax charge associated with breaching the Annual Allowance, including the tapered annual allowance, in 2019/20 in respect of membership of the 1995/2008 and 2015 NHS pension schemes and use “Scheme Pays” election to pay the tax charge
- These criteria apply equally to General Practitioner and General Dental Practitioners, and those working for NHS Trusts and NHS Foundation Trusts, relevant non-NHS employers, and General and Dental Practices.

If you're eligible, you can use the rest of this document to understand more about the Policy and how to apply for the benefits.

# What are the benefits?

- The Policy will compensate eligible clinicians who use Scheme Pays to meet their 2019/20 Annual Allowance charges resulting from their contributions to the NHSPS.
- The compensation will be paid in retirement, and will offset the reduction to your pension from using Scheme Pays for 2019/20 Annual Allowance charges.
- Members must use Scheme Pays to access Policy benefits and any exclusions are set out below.

The Policy only applies to regular pension build up in the NHSPS during 2019/20. It covers the following:

- ✓ 2019/20 pension and lump sum growth in the 1995 section and pension growth in the 2008 section
- ✓ 2019/20 pension growth in the 2015 scheme
- ✓ 2019/20 growth in pensions due to added years contracts purchased before 31 March 2008

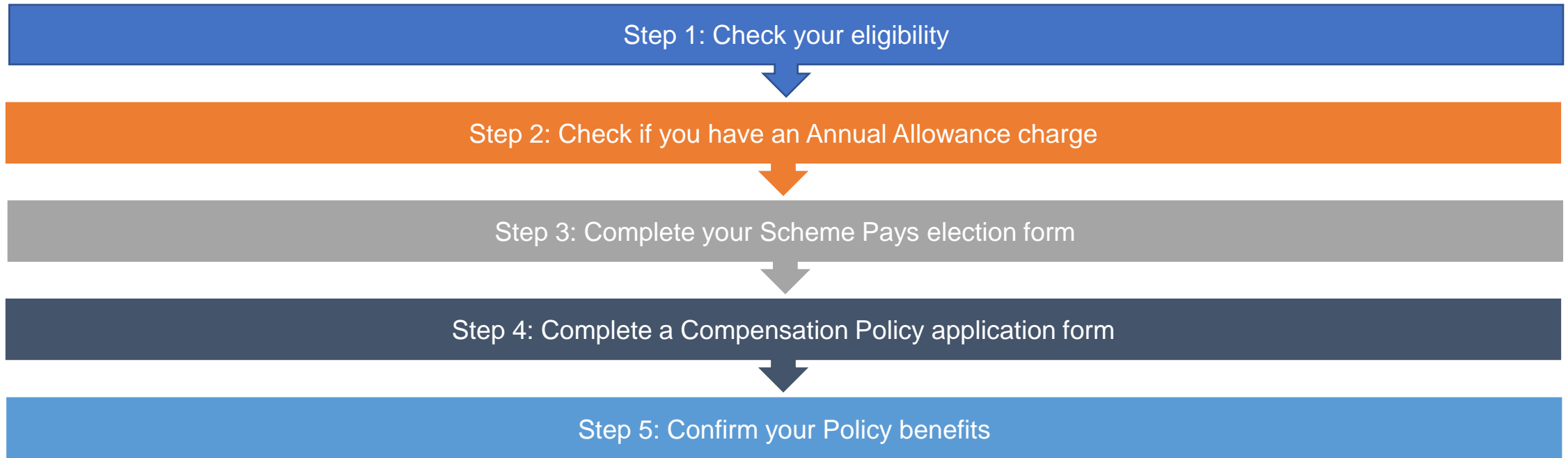
**Note: this Policy covers the full Annual Allowance charge for eligible clinicians (see exclusions below), not just that resulting from additional work undertaken.**

The Policy excludes the following:

- ✗ NHS Money Purchase AVCs
- ✗ Pension build up in other pension schemes
- ✗ Annual Allowance charges in tax years other than 2019/20
- ✗ Annual Allowance charges paid without using the NHSPS Scheme Pays option

# How do I apply?

We have summarised the overall application process below. This is explained in more detail in the following slides.



# Step 1: Check your eligibility

## Step 1: Check your eligibility

- Check that you are eligible for the Policy using the information set out on page 3.
- If you are eligible, you can apply if you have a 2019/20 annual allowance charge and make a Scheme Pays election to pay it. This is covered on the next two slides.
- You will need to get your clinical eligibility endorsed if you have an Annual Allowance charge and would like to access the Policy's benefits. More details on this can be found on page 9 – the exact process will depend on your role.



If eligible move to Step 2: Check if you have an Annual Allowance charge. See next page.

## Step 2: Check if you have an Annual Allowance charge

### Step 2: Check if you have an Annual Allowance charge

- You can work out your charge using the information on your Pension Savings Statement – this shows your pension build up in the NHSPS for the current and previous 3 tax years.
- You should check that the statement seems consistent with any previous statements
- If you have any unused annual allowance for the 3 previous tax years to carry forward you must use this first before considering if you can apply for the Policy
- So long as NHSBSA has received all relevant information Pension Savings Statements for the 2019/20 tax year are issued to clinicians employed in secondary care and high street dentists by NHSBSA before 6 October 2020 where a member has breached the standard Annual Allowance of £40,000.
- If you need any guidance on calculating your charge you can visit the NHSBSA's Annual Allowance pages ([here](#)) and read their Pension Savings Statement guide ([here](#)).
- To benefit from the Policy you **must** pay your Annual Allowance charge using Scheme Pays.

**Note:** Not everyone who is liable for an Annual Allowance charge automatically receives a Pension Savings Statement. For example, people who have a Pension Input Amount of less than £40,000, may have a reduced (tapered) Annual Allowance because of income from other sources but would not automatically receive a Pension Savings Statement. If you have a “Threshold Income” of more than £110k, and think you have a potential tax liability you should request a Pension Savings Statement from NHSBSA. This is covered in the information on the NHSBSA website (links above). In addition, most GPs will not receive a Pension Savings Statement for 2019/20 by 6<sup>th</sup> October 2020. GPs should apply for Scheme Pays in the usual way once the required information is available, or using estimated information if necessary, by 31 July 2021. They will have time to apply for the Policy after they have done this.



If you have a charge move to Step 3: Complete a Scheme Pays election. See next page.

# Step 3: Complete your Scheme Pays election form

## Step 3: Complete your Scheme Pays election form

- To use the Policy you need to pay for any 2019/20 Annual Allowance charge in the NHSPS using Scheme Pays. You can request this by filling in a Scheme Pays form from [here](#).
- To complete the form you will need to have worked out your 2019/20 Annual Allowance charge for the NHSPS using your Pension Savings Statement and the NHSBSA's Pension Savings Statement Guide (available [here](#)).
- A full outline of the Scheme Pays process can be found in the NHSBSA's Pension Savings Statement Guide ([here](#)).
- Once you have completed your form, please send it to NHSBSA at **NHS Pensions, PO Box 2269, Bolton, BL6 9JS**. You can submit this before your Policy application form so that you can meet the required deadlines (see below).
- **If you are about to retire you must complete a Scheme Pays election before you draw your pension if you think you will breach the Annual Allowance in the tax year of retirement and wish to use Scheme Pays. This may be based on estimated information.**

**Note:** The deadline for NHSBSA to receive the Scheme Pays election for 2019/20 was extended to 31 March 2022, however, we are aware that some individuals may have not had enough information to calculate their pensions tax position before this date. In these cases, an estimate can be submitted, or where adequate information to submit an estimate was not available, late scheme pays applications may be permitted. Estimated scheme pays can be revised until 31 July 2024. In all cases, you still need to submit a Scheme Pays election to be eligible for the Policy.



Once you have a completed Scheme Pays election go to Step 4: Complete an application form.



# Step 4: Complete a Compensation Policy application form

## Step 4: Complete an application form

- You will need to complete an application form to access the Policy's benefits and verify your eligibility to receive them.  
**Please don't do this until you have submitted your Scheme Pays election**
- 1. **If you work in secondary care** download the application form ([here](#)) and complete your part. Ask your main employer in 2019/20 to fill in section 3 and confirm that you worked for their organisation in a clinical role during 2019/2020 and had a valid clinical registration. You should contact your employer's HR department for this. Ask them to return the form to you when they have completed it. You then need to post the form to NHS BSA at the address below. The extended deadline for submitting 2019/20 scheme pays elections was 31 March 2022 however, late applications will be accepted where through no fault of their own a clinician has not been in receipt of a pensions savings statement for 2019/20.

NHS Pensions, PO Box 2269, Bolton, BL6 9JS

2. **If you are a dentist** an online form will be available via Compass ([here](#)) for NHS Dental Services to endorse your application . You need to fill in the form and it will be sent directly to NHS BSA once endorsed, and a copy made available for you on Compass.
3. **If you are a GP** we are working with PCSE on the exact process to upload the forms for endorsement by PCSE. This will be communicated in more detail in due course.



Once you have a completed application go to Step 5: Confirm your Policy benefits.

# Step 5: Confirm your Policy benefits

## Step 5: Confirm your Policy benefits

- Once you have submitted your Scheme Pays election form to NHSBSA and your Policy application form has been received, NHSBSA will write to you to confirm receipt of your forms.
- If there is any missing information, they will ask you for this before confirming your entitlement under the Policy.

**You do not need to do anything else until you retire and request your NHSPS benefits from the NHSBSA.**

**However, please note that if you have applied for Policy benefits based on an estimated Scheme Pays election for the 2019/20 tax year this election should be finalised before you retire to avoid over or under payments, where possible.**

# Receiving your Policy benefits

- Payments will be made automatically when you draw your regular NHSPS benefits – you won't need to apply for Policy benefits separately.
- As a brief overview the Policy will provide:
  - ✓ Compensation in retirement for any reduction to your NHS Pension as a result of using Scheme Pays to meet a 2019/20 Annual Allowance charge
  - ✓ Payments into the same bank account as your regular NHS pension.
  - ✓ An annual statement setting out the amount you can expect to receive during the next year and a P60.
  - ✓ Payments for anyone retiring before April 2021 payments will be backdated.
  - ✓ Benefits that increase in line with your NHSPS benefits.
  - ✓ Some death benefits after retirement to reflect the NHSPS's (please note that most death benefits are not affected by Scheme Pays and therefore do not need to be compensated for by the Policy).
- For most individuals tax will be deducted at source in line with your normal NHSPS benefits. For clinicians who were GP or dental partners or freelance locums in primary care during 2019/20 payments will be made as Miscellaneous Income and taxed at source at the basic rate of income tax (currently 20%). You will then be responsible for any additional tax that is due through your self-assessment tax return when taking account of all of your earnings. You will be reminded of this at retirement by NHSBSA.

# Where can I find more information?

There are a number of places that you can find extra useful information :

- A comprehensive list of useful links can be found on the next page. These cover where to find more detailed information on the Policy and the Annual Allowance more generally (for example, if you're struggling to understand your Pension Savings Statements or calculating whether you have a charge).
- If you'd prefer to speak to someone you can contact the NHSBSA call centre using the details below:
  - Calling from the UK **0300 330 1346**
  - Calling from abroad **0191 279 0571**
- Your employer may be offering pensions tax support sessions, too. Please ask your local HR contact about this just to check.

# Where can I find more information?

The links below may be useful for members looking for more detail on the Policy or the Annual Allowance more generally.

- On NHS England's website <http://england.nhs.uk/pensions> you will find:
  - The infographic provided to members with a brief overview of the policy
  - The "FAQs for members" document
  - Background information about the Policy
- Professional Standards Authority – Which professions are regulated:

<https://www.professionalstandards.org.uk/docs/default-source/section-29/section-29-general/which-professions-are-regulated.pdf>

- NHS BSA's Annual Allowance member hub - <https://www.nhsbsa.nhs.uk/member-hub/annual-allowance>
- NHS BSA's Pension Savings Statement Guide - <https://www.nhsbsa.nhs.uk/sites/default/files/2019-11/Pensions%20Saving%20Statement%20Guide%20%28V2%29%2010.2019%20printable.pdf>
- NHS BSA's Scheme Pays Election Form - <https://www.nhsbsa.nhs.uk/sites/default/files/2019-03/Annual%20Allowance%20Scheme%20Pays-SPE%202-20181217-%28V11%29.pdf>
- HMRC's annual allowance calculator - <http://www.hmrc.gov.uk/tools/annualallowancelimit/>

**If you are unsure about your financial affairs and the impact that pensions tax or the Policy could have on them we would always recommend seeking financial advice from an FCA registered advisor.**