

TO: Dental Contract Holders
and performers of primary
dental services under
GDS and PDS contracts
(including Type 1 and Type 2
Dental Practitioners,
Orthodontists, Minor Oral
Surgeons, Periodontists,
Endodontists and Freelance
Dental Locums)

Skipton House
80 London Road
LONDON
SE1 6LH

10 December 2020

Dear colleague

PENSIONS TAX IMPACTS ON NHS GENERAL DENTAL 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 clinicians in general dental practice who are members of the NHS Pension Scheme.

Who is in scope?

NHS England is committed to ensuring that General Dental Performers (GDP) providing primary care dental services, 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 were able to take on additional shifts or sessions in 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 have sent this letter to you via the BDA and NHS Dental Services. 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”.



The legal basis of the offer

The legal basis of this offer is made under section 112 of the NHS Act 2006:

(1) [NHS England] may provide assistance or support to any person providing or proposing to provide—

(a) primary dental services under a general dental services contract, or

(b) primary dental services in accordance with section 107 arrangements.

(2) Assistance or support provided by [NHS England] under subsection (1) is provided on such terms, including terms as to payment, as [NHS England] considers appropriate.

(3) “Assistance” includes financial assistance.

The following paragraphs constitutes the offer:

- (i) of the administration of certain payments (on behalf of Contract Holders as defined below) to GDP (in their capacity as Eligible Clinicians) who provide primary dental services under a General Dental Services (GDS) contract or a Personal Dental Services (PDS) agreement (“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 dental services to all persons contractually engaged to provide primary dental services under General Dental Services (GDS) or Personal Dental Services (PDS) (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).

The NHS Business Services Authority (NHSBSA), 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.

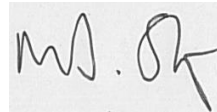
You are advised to read the online FAQs, which can be found at <https://www.england.nhs.uk/pensions/> which should help you understand how this arrangement operates, and what you need to do in order to ensure that it works for you personally, and the actions that need to be taken to confirm your eligibility.

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

Yours faithfully



Ed Waller
Director, Primary Care Strategy
and NHS Contracts



Matthew Style
Director, Strategic Finance