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Civil Service Pensions (NI)

EMPLOYEE PENSION NOTICE

To: All Staff **Date: 26 August 2026**

Pensions and Tax 2026/27

Introduction

1. HM Revenue & Customs (HMRC) sets limits on the amount of pension savings that can be built up each year without incurring additional tax charges. Most members of the Northern Ireland Civil Service pension arrangements will not be affected by these limits. However, some members may be liable for additional tax if the growth in their pension benefits exceeds the limits set by HMRC.

   This notice highlights the key pension tax limits, explains the Annual Allowance, and outlines circumstances that could affect your tax position.

Pension Tax Limits

2. **Annual Allowance (AA)** is the maximum amount by which your pension benefits can grow in a tax year before a potential tax charge arises. For the **2026/27 tax year**, the Annual Allowance is **£60,000**. However, some individuals maybe be subject to a reduced (tapered) annual allowance. You can work out if this affects you at: www.gov.uk/guidance/pension-schemes-work-out-your-tapered-annual-allowance

3. **Lump Sum Allowance (LSA)** The Lump Sum Allowance is the maximum amount of tax-free lump sum benefits you can receive during your lifetime. **The current limit is £268,275**[†]

4. **Lump Sum and Death Benefit Allowance (LSDBA)** The Lump Sum and Death Benefit Allowance is the maximum amount of tax-free lump sums and death benefits that can be paid from your pension arrangements. **The current limit is £1,073,100**[†]

5. LSA and LSDBA replaced Lifetime Allowance and came into effect in 6 April 2024. Any lumps sums paid before 6 April 2024 counts towards these new allowances.

[†] If you have Lifetime Allowance protection, or you have applied to HM Revenue & Customs for a protected allowance, you may be entitled to a larger amount.

Transitional Tax-Free Amount Certificates (TTFACs)

6. If you received pension lump sum benefits before 6 April 2024, you may need to apply for a Transitional Tax-Free Amount Certificate (TTFAC) before taking further pension benefits. Further information is available at:

   www.finance-ni.gov.uk/articles/civil-service-pensions-transitional-tax-free-amount-certificates-hub

Understanding Annual Allowance

7. The Annual Allowance is a tax limit set by HMRC and applies across all your pension arrangements.

8. In defined benefit pension schemes such as the NICS pension schemes, Annual Allowance is not based on the contributions you pay. Instead, it is based on the increase in the value of your pension benefits over a tax year, known as your Pension Input Amount (PIA). For Annual Allowance purposes, HMRC uses a formula which broadly values pension growth at 16 times the increase in your annual pension, plus any increase in automatic lump sum benefits where applicable. As a result, pension growth measured against the Annual Allowance can be significantly higher than the contributions you and your employer pay into the scheme.

9. If your PIA exceeds your available Annual Allowance, you may have a tax charge to pay. However, before a charge becomes due, you may be able to use any unused Annual Allowance from the previous three tax years to offset the excess. This is known as **carry forward.** Where a tax charge remains payable, options may be available to have the charge paid from your pension benefits, subject to HMRC rules and scheme requirements.

Could this affect you?

10. Most members are unlikely to exceed the Annual Allowance. However, you may be more likely to do so if:

    - You are a higher earner
    - You receive a significant increase in pensionable pay, for example through promotion, temporary promotion, a pay award, where more than one pay award is received in the same tax year.
    - If you are buying a significant amount of Added Pension
    - If you have combined (aggregated) separate periods of membership in the NICS pension schemes
    - If you retire on ill health grounds
    - If you had a club transfer into the NICS pension schemes
    - If you have other income

11. It is important to remember that all pension savings are considered when assessing your Annual Allowance position. Civil Service Pensions will not have information about pension arrangements you hold elsewhere.

Important

Civil Service Pensions can provide information about your pension benefits and identify members who may exceed the Annual Allowance.

However, Civil Service Pensions is not authorised to provide financial advice. If you are concerned about your personal tax position, you should consider seeking independent financial advice.

Further Guidance?

11. Worked examples showing how salary increases and other factors can affect your Pension Input Amount are available at:

www.finance-ni.gov.uk/publications/annual-allowance-worked-examples

Please note that these examples are currently being updated. Although the figures may differ, the underlying principles remain the same.

12. The latest information on pension taxation is also available at:

www.finance-ni.gov.uk/articles/pensions-and-tax

What happens next?

13. For those who may potentially breach the Annual Allowance this tax year 2026/27 Pension Savings Statements will issue by **6 October 2027**. Further guidance and supporting information will be issued ahead of this date.

14. Members who potentially breached their Annual Allowance in the previous tax year (2025/26) should expect to receive their Pension Savings Statement by 6 October 2026.

Contact us

15. Finally, if you have any other questions specific to the tax issues within this notice, please send them marked for the attention of our High Earners Champion **Aine Warnock** at cspensions@finance-ni.gov.uk.