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EMPLOYER PENSION NOTICE

EPN 18/2022

From: Civil Service Pensions Policy, Legislation and Communications

Date: 28 September 2022

To: All Employers

Re: PENSION SAVINGS STATEMENTS 2021/22

Purpose: The purpose of this EPN is to provide employers with information on the issuing of Pension Savings Statements to members of the Northern Ireland Civil Service (NICS) pension schemes who may incur a tax charge.

Timing: Immediate

Action: Employers should:

- note the timing for the issue of Pension Savings Statements;
- note the obligation on members to check whether they have a tax charge following the receipt of their Pension Savings Statement;
- note the timescale for members affected by tax legislation;
- note that Civil Service Pensions (CSP) will arrange for staff covered by the IT Assist and IT Assist Confidential Service Desk to receive a copy of the Employee Pension Notice attached at **Annex A** (which includes a step by step

guide to Pension Savings Statements and Frequently Asked Questions) and that the notice will be added to the Employee Services Portal and the CSP(NI) website:

<http://www.finance-ni.gov.uk/civilservicepensions-ni>; and;

- ensure that employees not covered by HRConnect, ITAssist or ITAssist Confidential Service Desk receive a copy of the Notice.

Details for employers

1. Members can use Scheme Pays every year that they have a tax charge to pay. Each time they use Scheme Pays, a pension debit entry will be recorded on their pension record.
2. Further information can be found in the Employee Notice which employers are asked to retain for their records.

Point of contact

3. If you have any queries please contact Johnny Butler at jonathan.butler@finance-ni.gov.uk or by telephone on 02871 321228 (Ext 87228).

Yours sincerely



Peter Philip

Civil Service Pensions Policy, Legislation and Communications



EMPLOYEE PENSION NOTICE

FROM: CIVIL SERVICE PENSIONS

DATE: 28 September 2022

TO: ALL STAFF

Pension Savings Statements 2021/22 - all you need to know

You must read your Pension Savings Statement if you receive one as there may be other actions you need to take – **DO NOT DISREGARD OR DISMISS** as the Pension Savings Statement will help you to determine whether or not you have a tax charge. Read further to find out more.

No one likes getting a tax bill from HMRC which is potentially what a Pensions Savings Statement may mean for you but there is some good news....

Firstly - this is an exceptional year, with two pay awards within the 2021/22 tax year for many of our members, resulting in a greater than usual increase in pensionable pay. Although it remains a small percentage of our membership, this has meant that more of you than usual may receive a Pension Savings Statement this year... but don't panic...

Secondly - for most of you, particularly if this has been your first breach of Annual Allowance, once you take time and work through your figures and the guidance provided in your Pension Savings Statement, you may be able to carry over any Annual Allowance you did not use from the previous three tax years. This could mean you do not have a tax charge to pay.

Thirdly - even if you do have a tax charge to pay, you may be able to choose to use "Scheme Pays" which means you do not pay the charge right now.

Finally - this notice provides you with an explanation of the terms and the actions you need to take including key dates set by HMRC which you must comply with, as well as links to further sources of information.

GENERAL BACKGROUND – KEY POINTS

What is a Pension Savings Statement?

1. A Pension Savings Statement provides important information about the growth of your pension savings in the Northern Ireland Civil Service (NICS) pension schemes. It will help you to decide if you have a pensions tax charge to pay. Pension Savings Statements are distinct from Annual Benefit Statements which are issued to all active members of the NICS Pension Schemes.

What is Annual Allowance?

2. Annual Allowance is the maximum value of the growth in your pension savings each year that can benefit from tax relief – this is not your salary. Annual Allowance applies to your entire pension savings with UK registered pension schemes. Any contributions you and your employer have paid into any pension arrangements (for example Civil Service AVC Schemes, the partnership pension account, a stakeholder or a personal pension outside the Civil Service pension arrangements) are not included on your Civil Service Pension Savings Statement. You may also need to obtain a Pension Savings Statement from any other pension arrangements, including from outside of the NICS pension schemes to determine if you have a tax charge to pay. This will be your individual responsibility.

What is Tapered Annual Allowance?

3. The good news is that this threshold was increased in the budget in March 2020 and now means that only individuals with adjusted income over £240,000 may be subject to a tapered (reduced) Annual Allowance. It should be noted that it is not based on your salary alone, if you have other sources of income you may need to include this when calculating your adjusted income. Further information on how to calculate adjusted income and tapered Annual Allowance can be found at:

www.gov.uk/guidance/pension-schemes-work-out-your-tapered-annual-allowance

WHAT DOES THIS MEAN FOR ME?

Will I receive a Pension Savings Statement?

4. Civil Service Pensions will send you a Pension Savings Statement if your Pension Input Amount has exceeded/breached the Annual Allowance limit of £40,000** in 2021/22. **Receiving a Pension Savings Statement however does not automatically mean that you have a tax charge to pay.**

** Please note – high-income individuals may be subject to a tapered (reduced) Annual Allowance and therefore may need to request a Pension Savings Statement as one will not automatically be issued.

5. If you do not receive a Pension Savings Statement and think that you should have received one you should also contact Civil Service Pensions. For example, you have pension savings in addition to your NICS pension schemes or have a Tapered Annual Allowance.
6. In your Pension Savings Statement envelope, you can expect to receive:
 - A covering letter.
 - A single Pension Savings Statement or, if you have benefits in alpha and one of the sections of the Principal Civil Service Pension Scheme (NI), two Pension Savings Statements.
 - Important Notes – What you need to know about Annual Allowance – **please do take the time to read these carefully.**

When will I receive it?

7. We will issue Pension Savings Statements to be with you by 6 Oct which is the legislative timeline given by HMRC.

What do I need to do if I receive a Pension Savings Statement?

8. You will need to determine whether you have a tax charge to pay so the first step is to check if you are able to carry over any Annual Allowance you did not use from the previous three tax years.

Have I got unused Annual Allowance?

9. Unused Annual Allowance is the difference between the Pension Input Amount and Annual Allowance limit. You may not have to pay a tax charge if you have enough unused Annual Allowance from the previous three Pension Input Periods. An example of how unused Annual Allowance is calculated within a tax year can be found below:

2018/19 Tax Year	
Your Annual Allowance	£40,000
Your Pension Input Amount	(minus) £15,000
Your Unused Annual Allowance	= £25,000

10. Previous Pension Input Periods and Amounts for your NICS pension benefits are shown on your Pension Savings Statement. Your statement will show you how much Annual Allowance was used in the previous three years in relation to your NICS pension schemes savings.

11. Unused Annual Allowance from the previous three Pension Input Periods is called 'carry forward'. If you have unused Annual Allowance from more than one year, you need to use them in order of the earliest to most recent.
12. If you have sufficient carry forward to offset the amount you have breached your Annual Allowance by, then you may not have a tax charge for this year.
13. However, it is important to note that if you have pension savings in addition to those in the NICS pension schemes, any carry forward may not be sufficient.
14. HMRC provide a **calculator** to help you work out if you have a taxable breach. The calculator can be found at:
<https://www.tax.service.gov.uk/pension-annual-allowance-calculator>

WHAT ACTION DO I NEED TO TAKE?

What if I have sufficient unused Annual Allowance carry forward?

15. If you have sufficient carry forward from the previous three tax years, you may not need to report this to HMRC. Please refer to the HMRC website for further information and seek independent advice if you are unsure:
<https://www.gov.uk/guidance/check-if-you-have-unused-annual-allowances-on-your-pension-savings>

What if I have a tax charge to pay?

16. You'll need to follow the HMRC guidelines for calculating, declaring and paying any tax due. There's information about Annual Allowance and Scheme Pays on the HMRC website at:
www.gov.uk/tax-on-your-private-pension/annual-allowance
17. You must declare to HMRC if you have a tax charge to pay by completing a self-assessment tax return.
18. You will need to notify HMRC by 31 January 2023 using the on-line service if you have a tax charge to pay, regardless of how you intend to pay it or when it is going to be paid. This is done via Self-Assessment. If you are registering for Self-Assessment for the first time, you can find further guidance and timescales on the [Register for and file your Self-Assessment tax return page](#) on the [GOV.UK website](#).

19. If you have a tax charge to pay for 2021/22 and have already filed a Self-Assessment tax return for that year, you must amend it. Refer to the HMRC website <https://www.gov.uk/topic/personal-tax/self-assessment> on how to do this.

20. The deadlines for returning a self-assessment tax return are as follows:

- **5 October 2022** (register for Self-Assessment)
- **31 October 2022** (if completed in paper format);
- **31 January 2023** (if completed online).

21. You will note that HMRC have stated that you must register for Self-Assessment on-line by deadline 5 October 2022. If you think from reading this notice that you may have a tax charge and you are not registered on line with HMRC, it would be helpful to do that now. There is no charge for registering on-line with HMRC. This will give you more time to consider your options.

What choices do I have?

22. You do have choices about how you pay your tax charge. You can pay a tax charge either:

- directly to HMRC;
- or
- using 'Scheme Pays'

23. More detail is set out below to explain what Scheme Pays is all about and how you may apply for it and when.

WHAT IS SCHEME PAYS?

24. If you have exceeded the Annual Allowance and a tax charge is due, you can ask Civil Service Pensions to pay the charge on your behalf in exchange for a permanent reduction in your benefits. It is your responsibility to calculate whether you have a tax charge to pay and decide if you intend to pay via Scheme Pays. There are two types of Scheme Pays: Mandatory and Voluntary.

Mandatory Scheme Pays

25. Mandatory Scheme Pays can be used if all three of these apply to you:

- your pension input amount within a single NICS pension scheme is in excess of £40,000; and,
- the tax charge resulting from the excess within that scheme is over £2,000; and,
- your Scheme Pays deduction is applied to the benefits within that scheme only.

26. Those of you with a tapered (reduced) Annual Allowance must have a Pension Input Amount in excess of £40,000 in one particular scheme (for example alpha or classic) to use Mandatory Scheme Pays.

Voluntary Scheme Pays

27. Voluntary Scheme Pays can be used if you do not meet the Mandatory Scheme Pays criteria but you still wish to pay your tax charge using Scheme Pays. Voluntary Scheme Pays has been introduced to enable those of you with Principal Civil Service Pension Scheme (Northern Ireland) and alpha pension scheme inputs who have not breached in either scheme individually but breached collectively to avail of scheme pays.

How do I apply for Scheme Pays?

28. The 'request for Scheme Pays quote' form is available on the Civil Service Pensions (NI) website: <https://www.finance-ni.gov.uk/publications/northern-ireland-civil-service-nics-pension-schemes-request-scheme-pays-quote-form>.
29. It is important that you appreciate the urgency and tight deadlines which apply for scheme pays which are laid down by HMRC. Failure to meet these may result in you having to pay a late payment charge. You may be liable for a late payment penalty charge levied by HMRC. **This is a HMRC requirement and not a scheme decision.**
30. For both Mandatory and Voluntary Scheme Pays, HMRC should be notified of your intention to pay using Scheme Pays by **31 January 2023**.
31. Due to these tight deadlines Civil Service Pensions will accept requests for quotes and applications forms via email to cspensions@finance-ni.gov.uk if you have access to this facility. It is important that you enter "**Urgent – Annual Allowance Request**" in the email subject field. Otherwise, using the same heading, send your request to:

Johnny Butler,
Civil Service Pensions,
Waterside House,
75 Duke Street,
Londonderry, BT47 6FP

32. If you wish to avail of Scheme Pays, either Voluntary or Mandatory you must first submit a request for a Scheme Pays quote to Civil Service Pensions by **4 November 2022**. This will enable Civil Service Pensions to provide the quote and application form to you by **30 November 2022 at the latest**.

33. You must return the completed application form by **8 December 2022** to guarantee that the debit can be applied, and payment made to HMRC by Civil Service Pensions by **31 January 2023** if you opted for Voluntary Scheme Pays.

34. If you chose to pay your tax charge by Mandatory Scheme Pays, Civil Service Pensions will pay the tax charge by **11 February 2024**; however, you will need to declare this on your self-assessment tax return to HMRC by **31 January 2023** at the latest.

What are the Scheme Pays deadlines?

35. To prevent late payment charges being imposed by HMRC, regardless of the Scheme Pays method used to pay your tax charge, we encourage you to take note of the deadlines which can be found in the table below.

<u>Action</u>	<u>Deadline Date</u>
Register for on-line self-assessment with HMRC if you have not already done so.	By 5 th October 2022
Member receives a Pension Savings Statement	By 6 th October 2022
Member requests a Scheme Pays quote	By 4 th November 2022
CSP will issue a Scheme Pays quote	By 30 th November 2022
Member returns Scheme Pays form accepting the quote	By 8 th December 2022
CSP will process Scheme Pays deductions	By 13 th January 2023
Member notifies HMRC of a tax charge and their intention to pay via Scheme Pays	By 31 st January 2023
The Pension Scheme (CSP) pays the tax charge by Voluntary Scheme Pays	By 31 st January 2023
The Pension Scheme (CSP) pays the tax charge by Mandatory Scheme Pays	By 11 th February 2024

36. Please note: Once we've received your acceptance form, you won't be able to withdraw your application; as at this point we'll adjust your benefits accordingly and the tax charge will be paid to HMRC on your behalf.

37. You can use Scheme Pays every year that you have a tax charge to pay if you meet the criteria. (See paragraphs 25, 26 and 27). Each time you use Scheme Pays a pension debit entry will be recorded on your pension record.

HELP AND INFORMATION

Will the McCloud judgment affect my pension savings statement?

38. Your Pension Savings Statement does not reflect any changes that may be required as a consequence of the McCloud judgment. Entitlements may change as a result of implementing the McCloud judgment remedy, but you will be notified about how this will impact you once the legislation is in place and policy decisions have been taken. In the interim you **must** ensure you put arrangements in place to pay any potential tax charge for 21/22.

See <https://www.finance-ni.gov.uk/articles/mccloud-judgment-and-2015-remedy> for further information on the McCloud Judgment and 2015 Remedy.

What if I need more information?

39. We do realise that this can be complex for those of you who do receive a Pensions Savings Statement, therefore, if you want more information about Pension Savings Statements or have a query once you receive your statement, you can visit the dedicated pages of the scheme website:

www.finance-ni.gov.uk/articles/pension-savings-statements

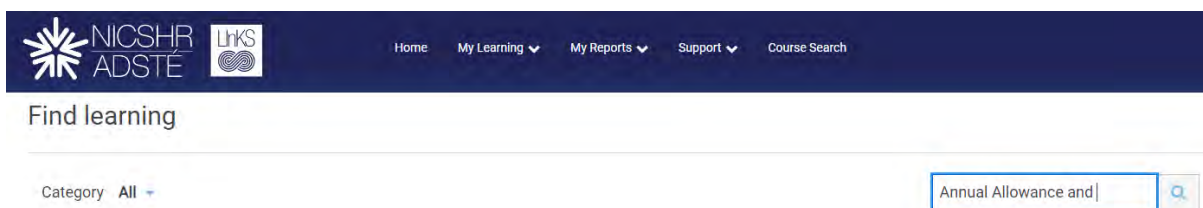
You will find a recording of an information session, guidance on Pensions and Tax, Scheme Pays, Frequently Asked Questions, worked examples and more importantly a guide to your Pension Savings Statement. More resources are currently in development, and we will let you know when they are available.

E-Learning Package

40. An online information package has been developed in conjunction with the NICSHR Learning & Development to help members understand their Pension Savings Statement. It is available on the LInKs Portal which can be accessed via your desktop icon or alternatively by clicking the link below where you will be required to enter your log in details.

www.nical.gov.uk

The package can then be found by typing the name of the e-learning - 'Annual Allowance and Pension Savings Statement (e-learning)' in the search bar (as shown).



Contacting Civil Service Pensions

41. If you receive a Pension Savings Statement and consider that any details on the statement are incorrect you should contact Civil Service Pensions.

- Email: cspensions@finance-ni.gov.uk
- Telephone: 028 71319000

High Earner Champion

42. We will continue to provide a High Earner Champion, who is a dedicated resource to deal with queries, as the feedback from the survey indicated that it was useful to have a single point of contact.

43. Contact details of the High Earner Champion for this year are provided below:

- Name: Johnny Butler
- Email: Jonathan.Butler@finance-ni.gov.uk
- Telephone: 028 71321228 (Direct Dial ext. 87228)

Financial Advice

44. Finally, it is important to note that staff in Civil Service Pensions can only provide information and are not qualified to give advice, you may wish to consider getting your own financial advice.