

Appendix 3z

Dear ...,

Police Pension Scheme – Annual Allowance 2017 / 18

I am writing to you with regards to your Annual Allowance, this is the limit set by HMRC by which the value of your pension benefits may increase in any one year. You are assessed on pension benefits in all tax-registered pension arrangements that you (or an employer) have paid in to in a tax year.

The Annual Allowance is measured over the fund's Pension Input Period (PIP) of 6 April to 5 April. The Annual Allowance for the tax year 2017 / 18 is £40,000.00

You would only be subject to an annual allowance tax charge if the value of your pension savings for a tax year increases by more than £40,000. However, a three year carry forward rule allows you to carry forward unused annual allowance from the last three tax years. This means that even if the value of your pension savings increases by more than £40,000 in a year you may not be liable to the annual allowance tax charge. To carry forward unused annual allowance from an earlier year you must have been a member of a tax registered pension scheme in that year.

Please note, if you have pension benefits in a separate scheme in which you are/were an active member in the last three years you will need to add the annual allowance used under those arrangements to determine the full potential taxable excess.

If, after taking account of any unused annual allowance carried forward from the last three tax years, your pension growth for the year exceeds the annual allowance you are responsible for reporting this to HMRC on your self-assessment tax return. Your return should be submitted by 31 January of the year following that in which the tax year ended at the latest i.e. 31 January 2019.

This letter is to clarify your Annual Allowance used in the Police Pension Scheme (PPS), the attached figures do not include benefits you may have accrued in other pension arrangements you may have elsewhere.

The 2017 / 18 pension savings year for the PPS ran from 6 April 2017 to 5 April 2018 and I have calculated your position as follows:

Tax Year	Annual Allowance	Pension Growth	Excess / Unused Annual Allowance
2017/ 18	£ 40,000.00		
2016 / 17	£ 40,000.00		
2015 / 16*	£ 40,000.00		
2014 / 15	£ 50,000.00		
2013 / 14	£ 50,000.00		

*A change to the regulations caused the 2015 / 16 year to be split into two periods. The Annual Allowance that applied in total across the year was £80,000. However, the £80,000 is initially applied to the first period with a restricted £40,000 of the unused Allowance available to carry forward to the second period.

The total growth of your pension benefits in the Police Pension Scheme for 2017 / 18 was **£000,000.00** which means you have exceeded the annual allowance figure by £ 000,000.00.

However, after taking account of the available unused allowances from the 3 preceding tax years to offset this amount the excess is reduced to **£00,000.00**.

Your un-used carry forward to 2018 / 19 is £ 0.00.

As your pension growth has exceeded the 2017 / 18 annual allowance you are required to complete a Self-Assessment tax return to determine the income tax owed on the excess. Paper tax returns must be completed by midnight on 31 October 2018, online tax returns must be completed by midnight on 31 January 2019.

After completing the Self-Assessment return, HMRC will notify you of the tax charge owed on the excess.

If your charge liability exceeds £2,000 you can request the City of London pays the charge to HMRC on your behalf in return for a reduction to your pension benefits. Your request for this option must be received by the scheme by 31 July following the tax year to which the charge relates. For example, if the charge is accrued in 2017 / 18 then your notification must be received by 31 July 2019, or your date of retirement if this is earlier. The application form for this option is enclosed.

If your marginal rate of tax is 40%, based upon the excess quoted previously (£ 00,000.00), your estimated charge liability in the Police Pension Scheme for 2017 / 18 is £ 00,000.00.

Please note, the charge liability quoted is an estimate based upon your marginal rate of tax being 40%. It is the responsibility of the scheme member to ascertain whether or not this is the correct rate and calculate the charge liability accordingly.

Should you elect to apply for 'Scheme Pays' to meet the tax liability a permanent reduction will be made to your pension when you retire.

The current value of the debit that would be made to your pension to cover the estimated tax liability shown above is £ 0,000.00 p.a.

This debit will be index-linked between the year the charge was incurred and the point of retirement and is calculated on the assumption that you retire from the Force at age 60. Should you retire earlier than age 60 the deduction will be reduced to account for early payment or increased if you retire after age 60.

If you elect to use the 'Scheme Pays' mechanism you are still required to include the amount of the annual allowance charge on your Self-Assessment tax return which should be submitted by 31 January of the year following that in which the tax year ended at the latest.

If you have any queries in relation to this matter please contact

Yours sincerely