

Age discrimination remedy – Annual Allowance

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Introduction

HM Revenue and Customs (HMRC) limits the amount of pension savings you can make without having to pay extra tax. This limit is in addition to any income tax you pay on your pension once it is being paid to you.

More information relating to the Annual Allowance (AA) can be found in the [Annual Allowance factsheet](#).

For some members, who are affected by the age discrimination remedy, the choice that they make for the remedy period may change the amount of pension built up each year.

If you are an Immediate Choice member i.e. already in receipt of your pension benefits, you may have already exceeded the AA.

This factsheet explains for members affected by the age discrimination remedy how this may impact their AA and what actions will need to be taken.

What is the Annual Allowance (AA)?

The AA is the amount your pension savings can increase by in a year without you having to pay tax. If your pension savings increase by more than the AA, you will have to pay tax on the excess. The standard AA limit increased from £40,000 to £60,000 on 6 April 2023.

Will the age discrimination remedy affect my Annual Allowance?

In some cases, changing your pension choice for the remedy period may change the amount of pension you built up each year. This is known as your Pension Input Amount (PIA).

The government sets limits on the amount of pension you can build up each year, known as the AA. During the remedy period this has been £40,000 (historic rates can be seen on the [Gov website](#)). Your PIA is tested against this amount by multiplying the amount by which the value of your pension has increased by 16, if this exceeds the AA for any of the years between 2019 and 2022, you may be liable for a tax charge. This is known as an Annual Allowance Tax Charge (AATC).

You may have already paid a tax charge during the remedy period, or you may owe tax for the first time.

If you are an Immediate Choice member when you are making your choice of benefits, you will be told whether you have exceeded the AA, and information about this will be provided in a statement alongside your Remediable Service Statement (RSS), to help you decide.

If you are a Deferred Choice member this will be included alongside your Annual Benefit Statement Remediable Service Statement (ABS RSS).

Why didn't I get a Pension Saving Statement for 2022/2023?

Ordinarily, if your AA has exceeded the limit, it is a requirement of the scheme to have to send you a Pensions Savings Statement (PSS) by 6 October 2023.

However, for members affected by remedy, this deadline was delayed until 6 October 2024. This was to ensure that your pension figure on 1 April 2022 reflects the corrections to your pension made by remedy. HMRC have confirmed that this delay means you **did not** need to report any AATC for 2022/23 on your self-assessment tax return by the standard 31 January

2024 deadline. You were still required to submit a self-assessment return to report and pay any other tax charges you were liable for by 31 January 2024.

What is a Remediable Pension Saving Statement?

If because of remedy you exceed the annual allowance, you will be sent a revised Remediable Pensions Savings Statement (R-PSS).

The deadline for sending this statement will be:

- **For active and deferred members – by 6 October 2024**
- **For pensioner members – within 6 months of making your election.**

From 1 October 2023, HMRC is introducing a new service that enables affected members who have new, increased, or decreased AATC, as well as other tax charges such as Lifetime Allowance Charges and Unauthorised Payments Charges to:

- **correct these for tax years 2019/20, 2020/21, 2021/22 and 2022/23**
- **apply for compensation for any tax charge overpayments for tax years 2015/16, 2016/17, 2017/18 and 2018/19**

You will need your revised R-PSS to use this service. This service is available on [gov.uk](https://www.gov.uk) website.

I understand the HMRC member tax calculator is offline, so what so I do in the interim?

The HMRC Member Tax Calculator has been 'temporarily offline' since 11 April 2024.

HMRC have not yet been able to provide us with any timeframe for how long the calculator will be offline, other than to confirm that it will be down for several weeks as they need to make improvements to the service, such as, including a save and return function and to fix some technical issues they have identified.

What should members do now?

We know that some members will look to use the calculator twice,

- Firstly, to help inform your tax position so you can decide between legacy or reformed scheme benefits and,
- Then again when you have made your election, to submit the revised position to HMRC.

Where members are using the calculator upon receipt of an estimate or their retirement options you can use the AA calculator: –

www.tax.service.gov.uk/pension-annual-allowance-calculator

The AA calculator will provide you with details of the amount that is subject to a tax charge for each year, however it is unable to:

- Calculate the tax charge due based on the marginal rate or,
- Take account of any charges previously paid and make any adjustments for either compensation or increased tax charge.

Members who have had or are likely to have a tax charge will have been provided with a Notional Remediable Pensionable Saving Statement (NR-PSS), which gives the original position of what tax charges were paid by the scheme. With this information you will be able to assess your revised position, which will enable you to make a choice of remedy benefits.

Member submissions

If you have made a choice for your remedy benefits, and you need to submit the changes to HMRC, this can be done using a manual process direct with a dedicated HMRC remedy team. In the first instance, you should send an email to publicservicepensionsremedy@hmrc.gov.uk, using "PSPR submission - Fire" as the subject line, alternatively you can call 0300 123 1079 (option 1).

Within the body of the email, you should make it clear that you need to make a remedy submission for the Firefighters' Pension Scheme, providing the following details:

- full name,
- email address, and
- telephone number

A member of the dedicated HMRC remedy team will then contact you and go through the manual submission process, this will involve you completing a manual submission form and you will need to have the relevant PSTR numbers along with the information listed on [GOV.UK](https://www.gov.uk) webpages.

PSTR Numbers:

FPS 1992: 00330012RP

FPS 2006: 00677944RB

FPS 2015: 00821661RL

Are Scheme Pays deadlines changing?

'Scheme Pays' is a mechanism by which the AATC can be paid out of a pension scheme, rather than by the member personally.

Active members affected by remedy will not receive a 2022/23 PSS until after their RSS has been issued. Because of this, HMRC has extended the mandatory Scheme Pays deadline for 2022/23, and for any AATC you may have in tax years 2019/20, 2020/21 and 2021/22 because of remedy.

The amended mandatory scheme pays deadlines are:

- For active and deferred members – deadline extended from 31 July 2024 to 6 July 2025
- For pensioner members – deadline extended to 6 July 2027.

For members not affected by remedy, the normal tax deadlines apply.

Are all tax years in the remedy period affected by the annual allowance and/or lifetime allowance?

In the latest set of tax regulations, HMRC have frozen 'in scope' tax years for remedy. These are known as 'relevant tax years'. This means that HMRC cannot collect tax owed from out-of-scope years, however they will still pay compensation for any tax owed back to members for these years.

- In scope years – 2019/20, 2020/21, 2021/22 and 2022/23
- Out of scope years – 2015/2016, 2016/2017, 2017/2018 and 2018/2019

How do I calculate my pensions tax charge?

To assess whether you will be entitled to receive any compensation payments for tax owed back to you, or whether you have any new or increased tax charges due because of your remedy choice, you will need to use the HMRC calculator to [calculate your public service pension adjustment](#).

Whilst the HMRC calculator is down please see the section [I understand the HMRC member tax calculator is offline, so what so I do in the interim?](#) For further instructions.

It is advisable to check that you have all the necessary data before you start the process. HMRC have provided a list of data so that you can [check what information](#) you will need. More information is also available in the [newsletter on the public service pensions remedy](#) that was published on the GOV.UK webpages in October 2023.

If you retired between 1 April 2015 and 30 September 2023

When your pension administrator issues your RSS, they will also provide you with a R-PSS.



We are providing you this additional information as you have received a Remediable Service Statement (RSS), for you to make an informed choice about your remedy benefits you will need to know the revised position of your Annual Allowance (AA).

Your RSS details how your benefits built up during the remedy period (1 April 2015 to 31 March 2023) are allocated by being back into your legacy scheme. This change to your pension may result in having to pay more or less tax.

What to do with this statement?

The enclosed Notional Remediable Pensions Savings Statement (NR-PSS) shows your calculated pension growth which prior to the remedy period taking into account the effect of rollover to your legacy scheme.

You will need to use the information in this statement, and the benefits shown in your RSS, to consider the value of any change in benefits alongside any pensions tax impact.

You may need to provide this information to an independent Financial Adviser if you require financial advice to help make your decision.

What happens next?

When you have made your final choice of benefits for the remedy period and benefits have been put into payment, we will issue any applicable Remediable Pensions Savings Statement (R-PSS) for the relevant years based on your choice of benefits. Using the information provided you will then need to submit your corrected tax position through HMRC's Public Service Pensions Remedy service. This will allow you to

- Calculate any Annual Allowance changes, and if so,
- Make a submission for a tax correction without the need to correct any previously submitted HMRC self-assessment tax return.

More information about this process will be provided in your Remediable Pensions Savings Statements.

Original Position				
Pension Input Period (PIP)	Standard Annual Allowance	Annual Pension	Total Pension Input Amount (PIA)	Tax charge paid by Scheme
1 April 2010 to 31 March 2011	£255,000	£	£	£
1 April 2011 to 31 March 2012	£50,000	£	£	£
1 April 2012 to 31 March 2013	£50,000	£	£	£
1 April 2013 to 31 March 2014	£50,000	£	£	£
1 April 2014 to 31 March 2015	£40,000	£	£	£
1 April 2015 to 31 March 2016	£40,000	£	£	£
1 April 2016 to 31 March 2017	£40,000	£	£	£
1 April 2017 to 31 March 2018	£40,000	£	£	£
1 April 2018 to 31 March 2019	£40,000	£	£	£
1 April 2019 to 31 March 2020	£40,000	£	£	£
1 April 2020 to 31 March 2021	£40,000	£	£	£
1 April 2021 to 31 March 2022	£40,000	£	£	£
1 April 2022 to 31 March 2023	£40,000	£	£	£

Notional Position for Legacy Scheme				
Pension Input Period (PIP)	Standard Annual Allowance	Annual Pension	Total Pension Input Amount (PIA)	Tax charge paid by Scheme
1 April 2010 to 31 March 2011	£255,000	£	£	£
1 April 2011 to 31 March 2012	£50,000	£	£	£
1 April 2012 to 31 March 2013	£50,000	£	£	£
1 April 2013 to 31 March 2014	£50,000	£	£	£
1 April 2014 to 31 March 2015	£40,000	£	£	£
1 April 2015 to 31 March 2016	£40,000	£	£	£
1 April 2016 to 31 March 2017	£40,000	£	£	£
1 April 2017 to 31 March 2018	£40,000	£	£	£
1 April 2018 to 31 March 2019	£40,000	£	£	£
1 April 2019 to 31 March 2020	£40,000	£	£	£
1 April 2020 to 31 March 2021	£40,000	£	£	£
1 April 2021 to 31 March 2022	£40,000	£	£	£
1 April 2022 to 31 March 2023	£40,000	£	£	£

Notional Position for Reformed Scheme				
Pension Input Period (PIP)	Standard Annual Allowance	Annual Pension	Total Pension Input Amount (PIA)	Tax charge paid by Scheme
1 April 2010 to 31 March 2011	£255,000	£	£	£
1 April 2011 to 31 March 2012	£50,000	£	£	£
1 April 2012 to 31 March 2013	£50,000	£	£	£
1 April 2013 to 31 March 2014	£50,000	£	£	£
1 April 2014 to 31 March 2015	£50,000	£	£	£
1 April 2015 to 31 March 2016	£40,000	£	£	£
1 April 2016 to 31 March 2017	£40,000	£	£	£
1 April 2017 to 31 March 2018	£40,000	£	£	£
1 April 2018 to 31 March 2019	£40,000	£	£	£
1 April 2019 to 31 March 2020	£40,000	£	£	£
1 April 2020 to 31 March 2021	£40,000	£	£	£
1 April 2021 to 31 March 2022	£40,000	£	£	£
1 April 2022 to 31 March 2023	£40,000	£	£	£

This will show the pension input amount for each of the relevant tax years based on both your legacy scheme and reformed scheme benefits. You will need this information to input into the HMRC calculator to help make your choice of remedy benefits.

Once you have made your choice, you will need to use the calculator again to make your actual submission to HMRC as this is how you will either receive compensation payment or notify your pension administrator that you have an additional tax charge to pay.

If you retire between 1 October 2023 and 6 October 2024

You will not have received a revised PSS for the remedy years or made an election to pay those tax charges before you retire.

At your retirement, your pension administrator will re-test your benefits against the AA for the remedy period and for the 2022/23 tax year. You will receive a R-PSS with your RSS which will enable you to input this information into the HMRC calculator to help make your choice of remedy benefits.

If you wish to pay the tax charges by Scheme Pays, you will need to make a Scheme Pays election at retirement, this can then later be varied once the tax charge has been clarified.

What happens after I have made my choice?

Once you have made your retirement choice and received benefits (known as crystallising), you will receive a final R-PSS. You will need to use the calculator again to make your actual submission to HMRC as this is how you will either:

- a) receive a compensation payment or,
- b) notify your administrator that you have an additional tax charge to pay, and then pay it if you do not choose scheme pays.

You will need to ensure that all submissions to HMRC are complete by **31 January 2025**, however you are encouraged to do this as soon as possible so any scheme pays can be correctly adjusted on your record.

Any delay may mean you are accruing a Scheme Pays debt which will need to be adjusted.

If you are an active or deferred member

After you are rolled back to your legacy scheme, your pension administrator will re-test your benefits against the AA for the remedy period and make an assessment for the 2022/23 tax year.

Where your revised pension input amount has altered any existing position for your AA in any of the years 2015/16 to 2022/23, your pension administrator will issue you with a revised or new PSS. This should be issued by 6 October 2024. You will then need to use the HMRC calculator to calculate any new or increased tax charges. You must ensure that all submissions are complete by ***31 January 2025**.

*The 31 January 2025 is only applicable should you receive your R-PSS no later than 1 November 2024. HMRC have confirmed that, for members who receive their R-PSS after 1 November 2024, they will have a maximum period of 3 months from the date of the R-PSS to use the HMRC calculator to calculate any new or increased tax charges.

How can I pay my pensions tax charge?

If you have pensions tax to pay because you exceeded the AA in any of the in-scope years, you can choose to have the tax paid by a 'Scheme Pays debit'.

You won't need to pay anything now, but your pension will be permanently reduced to pay off the debt you owe.

Alternatively, you can pay the tax due from your own resources through the self-assessment tax return process.