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Tax and National Insurance



As the Teachers' Pension Scheme is a registered pension, it's subject to tax rules and limits which are laid down by **HM Revenue and Customs** (HMRC).

HMRC introduced two pension allowances on 6 April 2006, one to restrict tax relief on pension growth and the other to restrict the benefits taken from a scheme, before giving rise to additional tax charges.

1) The Annual Allowance (AA) is the amount a pension can grow each year. If the AA is exceeded this gives rise to an AA charge.

Please note:

- The Finance Act is very specific as to who bears the liability for the payment of the AA tax charge. Section 237A(1) states: "The individual is liable to the Annual Allowance charge"
- In addition, HMRC has issued guidance in the event of inaccurate or indeed no data being available for a member to make an accurate assessment.

The guidance in the Pension Tax Manual requires a member, who believes that they may be liable to an AA tax charge, to submit an estimate based on all of the information they have available. This must be done through their normal annual tax return, to be submitted no later than the 31 January, following the tax year in which the tax charge arose. They can then, at a later date, alter their tax return once accurate data has been provided.

- In order to assess their liability to an AA tax charge, they're required to measure the annual growth in all of their registered pension schemes, not just Teachers' Pensions. However, we can only provide the pension input amount in respect of their membership in the Teachers' Pension Scheme.

2) The Lifetime Allowance (LTA) is the maximum amount members can take in pension benefits during their lifetime from all pension schemes, before an additional tax charge is incurred. If the LTA is exceeded, they'll be subject to the LTA charge.

Changes were announced in the Government's Summer Budget 2015 which impact both the AA and the LTA. The tax rules regarding

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pensions are becoming increasingly complex and whilst there are relatively few members of the Scheme affected by these allowances, more members will be affected as the pension tax allowances are lowered.

Please direct members to review our information online regarding **pensions and tax**.

Contracted out details

From 6 April 2016 the contracting-out of the State Earnings Related Pension Scheme and the State Second Pension (S2P), in return for reduced National Insurance contributions and a guaranteed minimum pension from the occupational pension scheme, ceased.

The following details may be useful in relation to periods of contracted-out service prior to 6 April 2016:

- Teachers' Pension Scheme number 49/684;
- ECON number E3900002R; and
- CON number S2730011H
- HMRC registration HM00328821RM.

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