Pensions - tax charges on any excess over the Lifetime Allowance and the Annual Allowance, and on unauthorised payments

Contacts

Please phone:
- the number printed on page TR 1 of your tax return
- the SA Helpline on **0845 9000 444**
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This helpsheet will help you complete the 'Pension savings tax charges and taxable lump sums from overseas pension schemes' section on page Ai 4 of the *Additional information* pages.

If you had Enhanced Protection throughout 2011–12, the Lifetime Allowance excess tax charge does not apply to you. Do not complete boxes 5, 6 or 7. But if you lost Enhanced Protection during 2011–12, you may be liable for a Lifetime Allowance excess tax charge on benefits first taken on or after the date you lost your Enhanced Protection. For more details about loss of Enhanced Protection, see the *Registered Pension Schemes Manual*, from page RPSM03104060, at **www.hmrc.gov.uk**

Lifetime Allowance excess tax charge – boxes 5, 6 and 7

The Lifetime Allowance excess tax charge applies if you:
- became entitled to some or all of your benefits from registered pension schemes during 2011–12, or
- have reached age 75 in 2011–12 and have not taken any benefits from a pension arrangement you have in a registered pension scheme, or have a drawdown pension fund (income drawdown) which started on or after 6 April 2006, not all of which has, by that time, been used to secure a pension or annuity, or
- have received an increase to a scheme pension which your scheme has advised you has used up a part of your Lifetime Allowance, or
- have transferred pension rights in a registered pension scheme to a qualifying recognised overseas pension scheme (QROPS)

and the value of those benefits (together with the value of earlier benefits, if you have had any) was more than your Lifetime Allowance.

What is my Lifetime Allowance?

Your Lifetime Allowance for 2011–12 will be the standard Lifetime Allowance of £1,800,000, unless you have been told you have a higher Lifetime Allowance. A higher Lifetime Allowance means no Lifetime Allowance excess tax charge may be due even if the value of the benefits you have taken is more than £1,800,000. If you have told us that you intend to rely on a higher Lifetime Allowance, we will have sent you a certificate showing a factor. This factor is used to raise your Lifetime Allowance above the standard Lifetime Allowance. For example, a factor of 0.5 means your Lifetime Allowance is always 150 per cent of the standard Lifetime Allowance for the tax year. In 2011–12, your higher Lifetime Allowance would be £2,700,000.

Your Lifetime Allowance may be reduced if you took benefits in 2011–12 as authorised payments from your registered pension scheme before the age of 50 and these benefits were not paid because of ill-health. A reduction will not be applied to benefits paid as authorised payments before age 50 from employers' schemes for police officers, firefighters and members of the armed forces – see the *Registered Pension Schemes Manual*, from page RPSM03106080.

Who pays the tax charge?

You and the scheme administrator are liable to pay the Lifetime Allowance excess tax charge. If you exceeded your Available Lifetime Allowance when taking benefits during 2011–12, the scheme administrator should have paid the tax charge and let you know of this. You are still liable for the whole amount. But you can have a credit for any amount paid by the scheme administrator.

How do I know if I have exceeded my Lifetime Allowance?

You should be able to tell from statements sent to you, in respect of benefits you first received from registered pension schemes after 6 April 2006, how much Lifetime Allowance you have used up when taking those benefits. You should add up the percentages shown on each statement to find the total percentage you have used.

You should also include the value of any pensions in payment which started before 6 April 2006. This will be 25 times the annual rate of pension on the first occasion you took other benefits on or after 6 April 2006 and is regarded as using up a percentage of the Lifetime Allowance in force at that time. You will not hold a statement for this, but your scheme may have advised you at the time. Lump sums paid before 6 April 2006 do not normally use up Lifetime Allowance. But if a lump sum was paid and you elected on or after 27 July 2004 to defer payment of the associated pension, which is not paid until after 5 April 2006 but has come into payment after that date, the earlier lump sum will use up the Lifetime Allowance, though not itself be liable to an excess tax charge, once you take the associated pension. This is regarded as using up a percentage of your Lifetime Allowance in force at 6 April 2006.

You may be liable to a tax charge in 2011–12 if:

- the total used percentage is in excess of 100 per cent (or over your higher percentage if you have a certificate showing your higher Lifetime Allowance – see page 1), and
- all or part of the excess is made up of benefits first taken in 2011–12.

How do I find the monetary value of the excess?

You need to convert the excess percentage arising in 2011–12 to a monetary figure by multiplying the excess percentage by your Lifetime Allowance for 2011–12. For example, a total of 125 per cent means that you have exceeded the standard Lifetime Allowance by 25 per cent. Assuming the whole 25 per cent relates to benefits taken for the first time in 2011–12 and you have the standard Lifetime Allowance, you multiply £1,800,000 by 25 per cent to give £450,000, which is the amount of your excess in 2011–12.

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You should only include the value of the excess for benefits which were taken for the first time in 2011–12. This might include, for example, the purchase of a lifetime annuity from a drawdown pension fund.

How you show the amount on your tax return depends on whether or not the excess benefits were taken as a lump sum.

Pension savings tax charges and taxable lump sums from overseas pension schemes

Box 5 ***Value of pension benefits in excess of your Available Lifetime Allowance, taken by you as a lump sum***

If all or any part of the benefits which formed part of the excess over your Available Lifetime Allowance were taken as a lump sum, enter in box 5 the total of the lump sum, or sums, including any tax paid by the scheme administrator.

Do not include tax-free lump sums paid with a pension which are payable within your Lifetime Allowance. Include lump sums paid for serious ill-health before age 75, but only enter the amount by which you exceed the Lifetime Allowance. Do not include a serious ill-health lump sum if it was paid to you when you had reached age 75. These lump sums are taxed separately and the tax will have been paid by the scheme administrator. Do include lump sums expressly paid as lump sums because you exceeded your Lifetime Allowance.

You can find the figures on the statement of tax you received from your scheme. The statement will show how the tax was calculated.

Box 6 ***Value of pension benefits in excess of your Available Lifetime Allowance, not taken as a lump sum***

If the benefits, or any part of the benefits which formed part of the excess over your Available Lifetime Allowance, were not paid to you as a lump sum, enter in box 6 the value of those benefits.

You can find the figures on the statement of tax you received from your scheme. The statement will show how the tax was calculated.

If you have a scheme pension (typically, defined benefits where you have a specified form of pension, for example, one-sixtieth of pay for each year of service)

If your scheme pension (or an increase to a pension in payment) has been reduced to pay the tax charge, enter the excess percentage (as a monetary amount) before the reduction, but exclude the tax paid by the scheme administrator. If, exceptionally, your pension has not been reduced to pay the tax charge, then enter the excess percentage which will have been increased to include the tax paid by the scheme administrator.

If you have a lifetime annuity or drawdown pension (income drawdown) (from money purchase pension arrangements, that is, where you have built up a pension pot)

Enter the excess percentage (as a monetary amount), including the tax paid by the scheme administrator.

If you have reached age 75 in 2011–12 and have become subject to the tax charge as explained in the second bullet on page 1

Enter in box 6, as above, as appropriate according to whether your pension arrangement is for defined benefits or is money purchase.

If you have transferred to a qualifying recognised overseas pension scheme

Enter in box 6 (not box 5) the amount of the excess percentage from the transfer including any tax paid by the scheme administrator.

General note on taxation of pensions

The pension to be entered in box 10 on page TR 3 of your tax return should include any pension income you receive in 2011–12 which relates to these excess benefits. Count only the gross (before PAYE tax) pension you receive. Do not count any amount of pension you will not receive because it is used to pay the Lifetime Allowance tax charge.

Box 7 *Lifetime Allowance tax paid by your pension scheme*

Enter the amount of Lifetime Allowance excess tax charge paid by the scheme administrator, who will have told you how much tax has been paid. Enter the amount even if you have already included it in boxes 5 or 6. Where more than one pension scheme has paid such a tax charge, enter the total.

Annual Allowance excess tax charge

Box 8 *Amount saved towards your pension, in the period covered by this tax return, in excess of the Annual Allowance*

The Annual Allowance test is only for increases in your pension savings, which have arisen in a 'pension input period' ending in 2011–12. For this purpose increases in your pension savings (your 'pension input amount') means increases in your pension rights (for defined benefits) or amounts of contributions paid (for money purchase arrangements).

You can ignore box 8 if you are the personal representative of a scheme member who died during 2011–12 and you are filling in this form on that person's behalf for the period up to the date of death.

You are liable to a tax charge on the excess amount above your Annual Allowance if, in pension input periods ending in 2011–12, the amount of the increase in your pension savings in registered pension schemes and certain overseas pension schemes was more than your Annual Allowance. (There is guidance for members of overseas pension schemes in Helpsheet 346 *Pension savings tax charges – guidance for members of overseas pension schemes that are not UK registered pension schemes.*)

Enter in box 8 only the amount of the increases in pension savings which in aggregate exceed your Annual Allowance. The increases are arrived at differently depending on the type of pension arrangement. Show only the amount of the excess.

You can ignore the figures from particular pension arrangements within a scheme if you took all your benefits in 2011–12 for those arrangements on severe ill-health grounds. This means you took benefits following a registered medical practitioner telling your pension scheme administrator that, because of your ill-health, you are unlikely to be able to work at any time before State Pension age or if your pension entitlement is paid as a serious ill-health lump sum because you expect to live for less than 12 months or you are a member of the armed forces who has become entitled to a pension or other payments for disability, injury or illness due to military service.

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What is my Annual Allowance for 2011–12?

The Annual Allowance for tax year 2011–12 is £50,000. The Annual Allowance excess tax charge will not apply to you for this tax year if your pension savings for pension input periods ending in 2011–12 do not exceed the £50,000 Annual Allowance.

You still might not have any Annual Allowance excess tax charge to pay if your pension savings are more than £50,000. You can carry forward any Annual Allowance that you have not used from the previous three tax years to 2011–12. The amount of the unused Annual Allowance is added to this year's Annual Allowance. This gives you a higher amount of available Annual Allowance.

If your pension savings are less than your available Annual Allowance you will have no Annual Allowance excess tax charge to pay. If your pension savings are more than your available Annual Allowance you will have to pay the Annual Allowance excess tax charge – but only on the amount over your available Annual Allowance.

There is a strict order in which you use up your Annual Allowance. You use the Annual Allowance in the current tax year first. You then use your unused Annual Allowance from earlier years, using the earliest tax year first.

If you have been a member of a registered pension scheme but, in one particular year, have not made pension savings for that year then you can carry forward an Annual Allowance of £50,000 from that year. If, however, you have not been a member of a registered pension scheme in a particular year then you will not have unused Annual Allowance to carry forward from that year.

If you are using or have used flexible drawdown

If you have entered into flexible drawdown, different Annual Allowance rules will apply to you. These rules will apply for every tax year following the year you first go into flexible drawdown.

You will go into flexible drawdown if you have entered into either a flexible drawdown pension or a dependant's flexible drawdown pension arrangement.

Where you have entered into flexible drawdown the amount of your pension savings liable to the Annual Allowance charge is calculated by the following formula.

TPIA *minus* RPIA

Where TPIA = total pension input amount

RPIA = pension input amount under either a defined benefits arrangement or a cash balance arrangement where you are not an active member as long as it is less than the Annual Allowance.

So if you are using, or have used, flexible drawdown, any pension saving under:

- an other money purchase arrangement, or
- a defined benefit arrangement or a cash balance arrangement where you are an active member

will be liable to the Annual Allowance excess tax charge.

How do I know I have exceeded my Annual Allowance?

The following are counted as an increase in your pension savings to be tested against your Annual Allowance.

- For money purchase arrangements (that is, where you are building up a pension pot) all contributions in the pension input period by you, other people on your behalf, and your employer. If you have had any money allocated to you arising from unallocated employer contributions held in the scheme, include these also. Add up the payments made.
- For defined benefits (where you build up specified pension rights, for example, one-sixtieth of pay for each year of service):
  - the capital value, over the pension input period, of the increase in your pension rights in defined benefit arrangements (your scheme may send you a statement every year showing the amount of pension you have built up as an annual figure). The increase in your rights, converted to a capital value, is found by taking the figure for last year increased by the increase in the Consumer Prices Index for the 12-month period to September 2010 (which is 3.1 per cent) away from the corresponding figure for this year, and multiplying the resulting amount by 16. Disregard the effect of any transfer payments or a pension sharing order, or the taking of benefits
  - any increase over the pension input period in your future entitlement to a separate lump sum in defined benefit arrangements, being a lump sum not paid for by giving up some of your pension rights. If your lump sum is not separate, the increase is measured only from your pension entitlement (referred to above).

If you pay voluntary contributions to top-up defined benefit pension rights:

- count them as a money purchase arrangement if the top-up is building up a pot
- count them as a defined benefit arrangement if you are buying added years of pension rights.

Do not count contributions you are required to pay to a defined benefit arrangement, as they will be counted as part of your pension rights for a defined benefit arrangement.

If your defined benefit rights throughout the pension input period are deferred rights and not as an active member, for example, because you have left employment, do not count any annual increase which is ordinarily made under the scheme provisions to those rights (for this purpose, the increase must be in accordance with a rate set out in the scheme rules on 14 October 2010) or otherwise the increase must be in line with increases in the Consumer Prices Index for a 12-month period ending in the pension input period as chosen by your pension scheme administrator.

- For cash balance arrangements (that is, where there is a promised pot but without specifying the form of benefit), any increase in the pension input period, in the amount available for the provision of benefits. Count as input only any increase between the start and end of the pension input period. And the value of the promised pot at the start of the period can be increased by the increase in the Consumer Prices Index for the 12-month period to September 2010 (which is 3.1 per cent). So only count any increase arising above that revised starting level. Deduct from the total any contributions paid for contracting out of the state scheme. Disregard the effect of any transfer payment or a pension sharing order or the taking of benefits.
- For hybrid arrangements (where your eventual pension might come from more than one of the above types of arrangement, but you will ultimately only receive benefits from one of the types) count whichever of the types that apply to you that produces the greater amount.

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How to calculate pension savings under a money purchase arrangement

The amount of pension savings under a money purchase arrangement is the total of contributions paid into the arrangement during the pension input period. This includes:
- any contribution you have paid to the arrangement
- any contribution your employer has paid to the arrangement
- any contribution paid by someone else on your behalf.

Your contributions should include the tax relief that you get on your pension contributions, that is, the gross amount of your contributions.

If an employer pays contributions to the scheme that have not been allocated to a specific member, and these are later put into your pension arrangement, this is an employer contribution that should be included in the amount of your pension input when they are allocated.

The following is not included in the pension input amount:
- contributions paid by you, or by someone other than your employer, after you have reached age 75
- investment income or returns
- if the arrangement is contracted out of the State Second Pension, minimum payment rebates and contracting out rebates paid by HMRC.

How to calculate pension savings under a defined benefits arrangement

The amount of your pension savings under a defined benefits arrangement is the increase in the value of your promised benefits over the pension input period. This is the difference between the value of your benefits immediately before the start of the pension input period (the opening value) and the value of your benefits at the end of the pension input period (the closing value). If the difference is a negative amount then your pension savings for the arrangement is nil.

How to find the opening value

The opening value of your benefits can be thought of as the amount of money that might be needed to provide the expected benefit. It is a notional ‘capital' value and is determined as follows.

Step 1

Find the amount of your annual pension. (This is the amount of pension that you would be paid if you retired now at normal pension age and without any extra benefits for ill-health. So, if you took your benefits today, what would you get without any adjustment for early payment?)

Step 2

Multiply the annual amount of your pension by 16. (Please note that the Annual Allowance rules changed with effect from 6 April 2011. Under the old rules a factor of 10 was used.)

Step 3

If your scheme also gives you a separate lump sum in addition to your pension, for example, many public sector schemes provide a lump sum without having to give up pension, add the amount of the promised lump sum to the amount found after step 2.

Step 4

Increase the total after step 3 by the 12-month increase in the Consumer Prices Index to the September before the start of the tax year which you are calculating Annual Allowance for. (Please note that the Annual Allowance rules changed with effect from 6 April 2011. Under the old rules the opening value amount did not have a Consumer Price Index increase.)

How to find the closing value

The closing value is the notional 'capital' value of the expected benefits at the end of the pension input period in the same way as you find your opening value, but missing out the final step. This is determined as follows.

Step 1

Find the amount of your annual pension.

Step 2

Multiply that amount of your pension by 16.

Step 3

If your scheme also gives you a separate lump sum in addition to your pension, for example, many public sector schemes provide a lump sum without having to give up pension, add the amount of the promised lump sum to the amount found after step 2.

Example 1

Fiona is a member of a scheme that gives her a pension of one-sixtieth pensionable pay for each year of being a scheme member. Although she can take a lump sum from her scheme, Fiona can only do this by giving up (commuting) pension to provide the lump sum. Immediately before the start of the pension input period Fiona's pensionable pay is £50,000 and she has 15 years 214 days service.

Find the annual pension entitlement immediately before the start of the pension input period.

This is calculated as (15 + 214/365)/60 x £50,000	£12,988.58
Multiply the result by 16 (£12,988.58 x 16)	£207,817.28

Add on any separate lump sum.

Fiona's scheme does not give her a separate lump sum, so the running total is still £207,817.28.

Increase the amount by the increase in the Consumer Prices Index for the 12-month period to September 2010 (which is 3.1 per cent).

A 3.1 per cent increase brings the opening value to £214,259.61.

At the end of the pension input period Fiona's pensionable pay has increased to £55,000 and her pensionable service is now 16 years 214 days.

Find the annual rate of pension.

This is calculated as (16 + 214/365)/60 x £55,000	£15,204.11
Multiply the result by 16 (£15,204.11 x 16)	£243,265.76

Add on any separate lump sum.

Fiona's scheme does not give her a separate lump sum, so the running total is still £243,265.76.

No adjustments need to be made to Fiona's closing value as she has not had any transfers in or out, benefit crystallisation event, pension debits or credits.

Fiona's pension saving for this arrangement is the difference between her opening value and her closing value.

This is £29,006.15 (£243,265.76 *minus* £214,259.61).

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Adjustments to the closing value

Certain events can cause the closing value of your benefits to be bigger or smaller than they would otherwise be. These events include where a transfer payment has been made or received by the pension scheme in relation to you or following a pension share (on divorce there is a pension debit or credit attached to your benefits) or a 'benefit crystallisation event' has occurred. In these circumstances you will need to adjust the amount of your closing value as shown below. (The most likely benefit crystallisation event is where you start to take some or all of your benefits from your pension scheme.)

If there has been a transfer into the arrangement in the pension input period

Deduct the amount of pension (and separate lump sum if appropriate) that relates to the transfer in from your expected benefits at the end of the pension input period before you work out the closing value.

If there has been a transfer out of the arrangement in the pension input period

If the transfer is to another registered pension scheme or an overseas scheme that is a qualifying recognised overseas pension scheme (QROPS), add the amount of pension (and separate lump sum if appropriate) that relates to the transfer out to your expected benefits at the end of the pension input period before you work out the closing value. If the transfer is to a non-registered scheme that is not a QROPS there is no need to make this adjustment before calculating the closing value. The transfer out is an unauthorised payment.

If there has been a pension debit in the pension input period

Add the amount of pension (and separate lump sum if appropriate) that relates to the pension debit to your expected benefits at the end of the pension input period before working out the closing value.

If there has been a pension credit in the pension input period

Deduct the amount of pension (and separate lump sum if appropriate) that relates to the pension credit from your expected benefits at the end of the pension input period before working out the closing value.

If there has been a benefit crystallisation event during the pension input period

Add the benefit resulting from the benefit crystallisation event to your expected benefits at the end of the pension input period before working out the closing value. For example, for a scheme pension taken from a defined benefits arrangement, you would add to your expected benefits at the end of the pension input period the amount of scheme pension that was taken. You do not need to do this if the benefit crystallisation event is a transfer to a QROPS as you should already have adjusted the closing value for the transfer out. For a benefit crystallisation event that occurs when your pension payment is increased, you should add in the whole amount of the increase in your earlier pension.

Example 2

Julia belongs to a pension scheme that gives her a pension of one-sixtieth pensionable pay for each year of scheme membership. The scheme does not give her a separate lump sum. If Julia wants to take a lump sum when she starts to draw benefits she will have to give up (commute) part of her pension.

Immediately before the start of the pension input period Julia has built up an annual pension of £26,500.

During the pension input period Julia reaches the scheme's pension age and decides to start taking some of her benefits. She also wants to keep working and keep building up benefits. Julia's pension scheme allows her to do this. Julia takes a pension of £12,000 and a lump sum of £80,000. To get her lump sum Julia had to give up £6,000 pension. If Julia had not taken the lump sum she would be getting a pension of £18,000.

At the end of the pension input period Julia has £10,000 pension still to take.

Calculating the opening value
Julia's opening value for this scheme is calculated as:

Find the amount of annual pension	£26,500
Multiply the annual rate of pension by a flat factor of 16 (£26,500 × 16)	£424,000

Add the amount of a separate lump sum - there is no
separate lump sum so the running total is still £424,000.

Increase the amount by the increase in the Consumer Prices Index for the 12 month period to September 2010 (which is 3.1 per cent).

A 3.1 per cent increase brings the opening value to £437,144.

Julia's opening value is £437,144.

Calculating the closing value
Without any adjustment for the benefit crystallisation event, Julia's closing value would be £160,000 (£10,000 × 16). This does not reflect the fact that Julia has built up extra pension benefits over the pension input period. An amount equivalent to the benefit crystallisation event needs to be added back into the closing value. The adjustment to the closing value is made at the start of the following calculation by adding back the amount of pension taken. This is the gross amount of pension - the amount that would have been paid to Julia if she had not taken a lump sum. This is £18,000.

Find the amount of annual pension remaining pension + pension taken (£10,000 + £18,000)	£28,000
Multiply the annual rate of pension by a flat factor of 16 (£28,000 × 16)	£448,000

Add the amount of a separate lump sum - there is no
separate lump sum so the running total is still £448,000.

Julia's closing value is £448,000.

Find the pension input amount
Julia's pension input amount is the difference between her closing value and her opening value.

This is £10,856 (£448,000 *minus* £437,144).

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How to calculate pension savings under a cash balance arrangement

The method of valuing pension savings to a cash balance arrangement is similar to that for defined benefits arrangements. Your pension savings amount is the increase in the value of your promised pension fund over the pension input period. This is the difference between the value of your promised pension fund immediately before the start of the pension input period (the opening value) and the value of your promised pension fund at the end of the pension input period (the closing value). If the difference is a negative amount then your pension input for the arrangement is nil.

How to find the opening value

This is a two-step process.

Step 1

Find the amount of your promised pension fund.

Step 2

Increase this amount by the 12-month increase in the Consumer Prices Index to the September before the start of the tax year for which you are calculating Annual Allowance.

How to find your closing value

Your closing value is the amount of your promised pension fund at the end of the pension input period.

Adjustments to the closing value

Certain events can cause the closing value of your benefits to be bigger or smaller than they would otherwise be. These events include where a transfer payment has been made or received by the pension scheme in relation to you or following a pension share (on divorce there is a pension debit or credit attached to your benefits) or a benefit crystallisation event has occurred. In these circumstances you will need to adjust the amount of your closing value as shown below. (The most likely benefit crystallisation event is where you start to take some or all of your benefits.)

If there has been a transfer into the arrangement in the pension input period

Deduct the amount of the increase in rights available to provide benefits relating to the transfer from the closing value.

If there has been a transfer out of the arrangement in the pension input period

If the transfer is to another registered pension scheme or to a qualifying recognised overseas pension scheme (QROPS), add the amount of the reduction in rights available to provide benefits relating to the transfer to the closing value. If the transfer is to a non-registered scheme that is not a QROPS, there is no need to add back the reduction in rights relating to the transfer to the closing value. The transfer out is an unauthorised payment.

If there has been a pension debit in the pension input period

Add the amount of the reduction in rights available to provide benefits relating to the pension debit to the closing value.

If there has been a pension credit in the pension input period

Deduct the amount of the increase in rights available to provide benefits relating to the pension credit from the closing value.

If there has been a benefit crystallisation event during the pension input period

Add the amount of the reduction in rights available to provide benefits relating to the benefit crystallisation event to the closing value. You do not need to do this if the benefit crystallisation event is a transfer to a QROPS as you should already have adjusted the closing value for the transfer out. For a benefit crystallisation event that occurs when your pension in payment is increased, you should add in the whole amount of the increase in your earlier pension.

> **Example 3**
>
> Mark is a member of a cash balance arrangement. His pension promise is that his pension fund will be increased by 12 per cent of his pay each year with a minimum amount of £10,000.
>
> Mark wants to work out what his pension saving is for the tax year 2011-12. The annual increase in the Consumer Prices Index to September 2010 is 3.1 per cent.
>
> At the start of his pension input period, Mark's fund stands at £156,000. This amount is increased by 3.1 per cent to £160,836. This is Mark's opening value.
>
> Mark's pay for the year was £82,000, 12 per cent of which is £9,840. This is less than the promised minimum increase to his pension fund, so £10,000 was added to Mark's promised funds. This brings Mark's closing value to £166,000.
>
> Mark's pension input is the difference between his opening value and his closing value.
>
> This is £5,164 (£166,000 *minus* £160,836).

The pension input period covered by this tax return

Each pension arrangement you have in a UK registered pension scheme has its own pension input period to be used in connection with the Annual Allowance. It may use the same period as the tax year (6 April to 5 April) or it may be a different period. Only count increases in pension savings for a pension input period ending in 2011–12. Do not count pension savings in pension input periods which will end after 5 April 2012. They will be counted next year. Your scheme administrator should know when a pension input period ends.

If your pension savings for 2011–12 exceed £50,000 and you have one or more arrangements with a pension input period ending in 2011–12 that started before 14 October 2010, the way you calculate your Annual Allowance excess tax charge is modified. See 'Transitional rules for pension input periods that began before 14 October 2010' on page 17.

How do I carry forward unused Annual Allowance?

You are able to carry forward unused Annual Allowance automatically. You do not need to make any claim to HMRC to carry forward unused Annual Allowance and you do not need to show this on your tax return if your unused Annual Allowance means that an Annual Allowance excess tax charge is not due.

To see if you have any Annual Allowance charge for 2011–12, you need to take the following steps.

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Step 1

Work out how much your pension saving is for pension input periods ending in this tax year.

From 6 April 2012 if your pension saving in a single scheme exceeds £50,000 the pension scheme administrator should tell you automatically the value of your pension saving under that scheme over the pension input period. You can also ask your pension scheme to tell you the value of your pension saving under the scheme for that scheme's pension input period. Whether given automatically or on request the information should be given to you by 6 October 2013 at the latest.

Step 2

Is your total pension saving more than £50,000?

If the answer is no, you do not have to pay the Annual Allowance excess tax charge. You do not need to carry out any more steps.

If the answer is yes, go to step 3.

Step 3

Work out how much your pension saving was in each of the last three tax years.

Use the post-6 April 2011 rules to work out your pension savings for all years, even though they are tax years before 2011-12.

You can ask your pension scheme administrator to tell you the amount of your pension saving under that scheme for the last three tax years.

Step 4

Work out how much unused Annual Allowance you have for these three tax years

Add any unused Annual Allowance to the £50,000 available for this tax year. This is your available Annual Allowance.

Step 5

Is your available Annual Allowance more than your pension saving for 2011-12?

If the answer is yes, you do not have to pay the Annual Allowance excess tax charge. You do not need to contact HMRC to make a claim or election for this carry forward. However, you will need to keep a record in case your pension savings exceed the Annual Allowance in a subsequent tax year.

If the answer is no, the Annual Allowance excess tax charge is due on the amount of your pension saving that is more than your available Annual Allowance.

Example 4

Jim's total pension savings for pension input periods ending in 2011-12 are £65,000 and, for pension input periods ending in them, his pension savings in the previous three tax years were:

2010-11 - £35,000

2009-10 - £30,000

2008-09 - £25,000.

Treating the Annual Allowance for each of those years as £50,000, Jim has unused Annual Allowance of £25,000, £20,000 and £15,000 from those three tax years:

2010-11 - £15,000

2009-10 - £20,000

2008-09 - £25,000

£60,000

This means Jim has £60,000 unused Annual Allowance to carry forward.

Together with the £50,000 Annual Allowance for 2011-12 Jim can have a pension saving of £110,000 without the Annual Allowance charge being due.

As Jim's pension saving for 2011-12 is less than his available Annual Allowance, he does not have to pay the Annual Allowance excess tax charge.

Jim has used up the £50,000 Annual Allowance for 2011-12 and £15,000 unused Annual Allowance from three years ago. Although he still has £10,000 unused Annual Allowance from three years ago he cannot carry this forward to the next tax year. Jim can only carry forward unused Annual Allowance from the last three years and next year the £10,000 unused amount will be from four years ago and so will be out of time and not available.

Jim has £35,000 unused Annual Allowance to carry forward to the next tax year. If the Annual Allowance next tax year is still £50,000, Jim will be able to make a pension saving of £85,000 and still not have any Annual Allowance excess tax charge.

Valuing pension inputs made before 6 April 2011

The amount of Annual Allowance for tax year 2011–12 is lower than the Annual Allowance for previous tax years. Because of this there are special rules for working out how much unused Annual Allowance can be carried forward from 2008–09, 2009–10, and 2010–11.

To work out how much unused Annual Allowance can be carried forward to 2011–12 and later tax years:

- the Annual Allowance for 2008–09, 2009–10 and 2010–11 is deemed to be £50,000. So if your pension savings for one of those tax years was £20,000 you would have £30,000 unused Annual Allowance to carry forward. If your pension saving was £50,000 or more in a tax year you would not have any Annual Allowance left to carry forward from that year
- the way that pension savings are calculated is based on the new valuation methods. So, for a defined benefit arrangement you would use the factor of 16 (rather than the previous factor of 10) and increase the opening value by the increase in the Consumer Prices Index (for example, 3.1 per cent for 2011–12) to work out how much your pension saving is.

Contacts

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The Consumer Prices Index figures to use are:
- September 2007 (use for 2008–09) 1.8 per cent
- September 2008 (use for 2009–10) 5.2 per cent
- September 2009 (use for 2010–11) 1.1 per cent
- September 2010 (use for 2011–12) 3.1 per cent.

The method of working out if you have to pay an Annual Allowance excess tax charge, and how much, for 2008–09, 2009–10 and 2010–11 has not changed.

How to work out the rate of the Annual Allowance excess tax charge

Your excess pension savings can be charged to tax in whole or in part at 50 per cent, 40 per cent or 20 per cent depending on your taxable income and the amount of excess pension savings.

To work out which rate applies and to how much, take the following steps.

Step 1

Establish your taxable income, after Personal Allowances, for the year (called 'reduced net income' in tax legislation). This is the amount on which you actually pay tax for the year.

Step 2

Work out how much of your pension savings for the tax year is liable to the charge. This is the total pension savings for the tax year, less your Annual Allowance for that year, less any unused Annual Allowance you carried forward from earlier years.

Step 3

Add together your reduced net income (from step 1) and your excess pension savings (from step 2). The amount of pension savings (from step 2):
- over your higher rate limit will be taxed at 50 per cent
- over your basic rate limit but below your higher rate limit will be taxed at 40 per cent
- below your basic rate limit will be taxed at 20 per cent.

Step 4

Where the total after step 3 exceeds your higher rate limit (generally £150,000 but may be more if your pension savings are paid net of basic rate tax – see 'What is reduced net income?' on page 16), the excess is chargeable at 50 per cent.

Step 5

From the amount of your excess pension savings (step 2) deduct the amount brought into charge at 50 per cent in step 4.

Step 6

Work out the difference between your higher and basic rate limits.

Step 7

If the amount after step 5 is less than the amount after step 6, the amount at step 5 is chargeable at 40 per cent. Otherwise the amount chargeable at 40 per cent is the difference between the higher and basic rate limits from step 6.

Step 8

Any remaining amount of excess pension savings not brought into charge in step 4 or step 7 is then chargeable at 20 per cent.

If you are filing your Self Assessment tax return online, the Self Assessment computer will work out the amount of the tax charge for you.

Example 5

Frances has £30,000 pension saving on which she has to pay the Annual Allowance excess tax charge. Frances also has £140,000 income that she has to pay tax on (her 'reduced net income'). Frances' pension saving and reduced net income added together is £170,000.

For the purpose of this example Frances' higher rate limit is £150,000 and her basic rate limit is £40,000.

Step 1
Frances has £140,000 income that she has to pay tax on (her reduced net income).

Step 2
Frances has £30,000 pension saving on which she has to pay the Annual Allowance charge.

Step 3
Frances' excess pension saving and reduced net income added together is £170,000.

Step 4
The total after step 3 exceeds £150,000 by £20,000 so £20,000 of her excess pension savings is chargeable at 50 per cent.

Step 5
The amount of Frances' excess pension savings not chargeable at step 4 is £30,000 *minus* £20,000 = £10,000.

Step 6
The difference between Frances' higher and basic rate limits is £150,000 *minus* £40,000 = £110,000.

Step 7
The amount after step 5 (£10,000) is less than the amount after step 6 (£110,000) so £10,000 is chargeable at 40 per cent.

Step 8
There is no remaining amount of excess pension savings not brought into charge by step 4 or step 7.

Frances' tax charge is calculated as:

£20,000 x 50 per cent = £10,000

£10,000 x 40 per cent = £4,000

£0 x 20 per cent = £0

Frances' Annual Allowance excess tax charge is £14,000.

What is 'reduced net income'?

In broad terms reduced net income is the income on which you actually pay tax. This is your taxable income that is more than your personal tax allowance.

In legal terms 'reduced net income' is the amount found after step 3 of S23 Income Tax Act (ITA) 2007. This is after you have:

- identified your total income
- deducted the reliefs (allowed for under S24 ITA 2007)
- deducted any Personal Allowance you may have.

How you pay your pension contribution can affect the amount of your reduced net income. If your contribution is paid using 'Relief At Source' (RAS) it will not have been taken off your taxable income at this point.

Contacts

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Someone who has paid a contribution using RAS will have a higher reduced net income than someone who has paid their contribution by another method.

However, someone who makes a contribution using RAS will have an increased basic rate limit above which they start to pay higher rate tax. The higher rate limit, above which tax is payable at 50 per cent, is increased in the same way if contributions are made using RAS. The effect is that the amount of the Annual Allowance charge you will pay is the same whichever method you use to make your contribution.

Transitional rules for pension input periods that began before 14 October 2010

The Annual Allowance rules changed from 6 April 2011. Before 6 April 2011 the Annual Allowance was £255,000 but from that date the allowance reduced to £50,000. This change was announced on 14 October 2010.

For 2011–12 it is possible that you have arrangements with a pension input period that started before 14 October 2010 and ended in 2011–12. Because it was previously announced that the Annual Allowance for 2011–12 would be £255,000, you may have already made pension savings of more than £50,000 for that pension input period before 14 October 2010. To cover this situation there are transitional rules for 2011–12 so that the Annual Allowance excess tax charge will not apply to any pension saving of more than £50,000 subject to a maximum of £255,000 where that saving was built up before 14 October 2010 for pension input periods ending in 2011–12.

This only applies for pension input periods ending in 2011–12 that started before 14 October 2010. Any pension input period that started on or after 14 October 2010 and ended in 2011–12 will have an Annual Allowance of £50,000 for 2011–12. However, you can reduce the amount liable to an Annual Allowance excess tax charge if you have unused Annual Allowance to carry forward from the three preceding tax years.

For pension input periods ending in the tax year 2011–12 that have started before 14 October 2010:

- the increase in your pension savings in those pension input periods will be subject to an Annual Allowance of £255,000, but
- the increase in your pension savings in those pension input periods from 14 October 2010 until the end of the pension input period is subject to an Annual Allowance of £50,000.

This will only apply for pension input periods ending in 2011–12 that started before 14 October 2010. Any pension input periods starting after 14 October 2010 will have an Annual Allowance of £50,000 for 2011–12.

The examples on page 18 show how these rules would work for a money purchase arrangement and defined benefit arrangement.

Example 6 – money purchase arrangement

Alex saves £20,000 at the end of each month into her personal pension and she also makes a one-off contribution of £5,000 each February. Her pension input period is 1 June to 31 May.

For the pension input period ending in 2011-12 Alex's pension savings amounts are calculated as follows:

- For the period 1 June 2010 to 13 October 2010 - regular contributions of £80,000.
- For the period 14 October 2010 to 31 May 2011 - regular contributions of £160,000 plus a one-off contribution of £5,000 - total contributions £165,000.

The amount of pension savings subject to the Annual Allowance excess tax charge for 2011-12 for the pension input period ending on 31 May 2011 would be worked out as follows:

Period 1 June 2010 to 13 October 2010 - pension savings amount	£80,000
Period 14 October 2010 to 31 May 2011- pension savings amount	£165,000
Total pension savings amount	£245,000

The Annual Allowance for the whole pension input period is £255,000, but it is limited to £50,000 in the period 14 October 2010 to 31 May 2011.

There is no Annual Allowance excess tax charge for the £80,000 pension savings amount made up to 13 October 2010 as the total pension savings amount in the pension input period (to that date) are not more than £255,000.

For the period 14 October 2010 to 31 May 2011, the maximum Annual Allowance available is £50,000. So the excess pension savings amount over £50,000 in the period 14 October 2010 to 31 May 2011 is liable to an Annual Allowance excess tax charge if Alex has no unused Annual Allowance to carry forward from the three earlier tax years.

Alex does not have any unused Annual Allowance to carry forward and there is an Annual Allowance excess tax charge on £115,000 (£165,000 *minus* £50,000).

Example 7 – defined benefits arrangements

If you are a member of a defined benefits arrangement (for example, a final salary or career average scheme) and your pension input period that ends in 2011-12 started before 14 October 2010, you will need to work out the amount of your pension savings for your pension input period in two parts to take into account the different valuation factors in place before and after the announcement on 14 October 2010. To do this you will have two 'deemed' pension input periods to cover the period of your pension input period. These are called the 'pre-announcement pension input period' and the 'post-announcement pension input period'.

The pre-announcement pension input period will begin on the first day of your pension input period and end on 13 October 2010 and the post-announcement pension input period will begin on 14 October 2010 and will end on the final date of your pension input period.

Your pension savings for your pre-announcement pension input period is calculated using a valuation factor of 10.

Your pension input amount for your post-announcement pension input period is calculated using a valuation factor of 16.

You will need to know the rate of your pensionable pay at 13 October 2010 to calculate your pension input amount for both the pre-commencement and post-commencement pension input periods. Your pension scheme rules will determine how pensionable pay is calculated. When you joined your pension scheme you may have been given information telling you how pensionable pay is calculated. If you are not sure what this is, then you should ask your pension scheme administrator.

Contacts

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Example 8

Vito is a member of a final salary scheme and has 35 years pensionable service. His pension input period is 1 August to 31 July. His scheme provides a pension of one-eightieth final pay and a separate lump sum of three-eightieths final pay for each year of service (Vito does not have to exchange any pension for the lump sum). At 1 August 2010 his pensionable pay is £25,500. On 13 October 2010 he has a pay rise and his pensionable pay increases to £26,500. At the end of his pension input period (31 July 2011), his pensionable pay has risen to £30,000.

Because Vito's current pension input period ends in 2011-12, the value of Vito's pension savings for the tax year are calculated using two 'deemed' pension input periods - 1 August 2010 to 13 October 2010 and 14 October 2010 to 31 July 2011.

Pre-announcement pension input period: 1 August 2010 to 13 October 2010 (74 days)

Find the opening value

Step 1 - find the amount of annual pension - 35/80 × £25,500	£11,156.25
Step 2 - multiply the amount of pension by 10	£111,562.50
Step 3 - add the amount of a separate lump sum (3 x 35/80 x £25,500 = £33,468.75) + £111,562.50	£145,031.25
Step 4 - this amount from step 3 is increased in line with the annual increase in the Consumer Prices Index for the September prior to the beginning of the tax year (which is 3.1 per cent)	£149,527.21

The closing value at the end of the pre-announcement pension input period is:

Step 1 - (74/365 + 35)/80 x £26,500	£11,660.91
Step 2 - £11,660.91 x 10	£116,609.10
Step 3 - [(74/365 + 35) x 3/80 x £26,500 = £ 34,982.72] + £116,609.10	£151,591.82
Total	£151,591.82

The increase in pension savings in the pre-announcement pension input period is £2,064.61 (£151,591.82 *minus* £149,527.21).

This calculation is then repeated for the post-announcement pension input period except that the amount of pension is multiplied by 16 and not 10.

Post-announcement pension input period: 14 October 2010 to 31 July 2011

Opening value

Step 1 - (74/365 + 35)/80 × £26,500	£11,660.91
Step 2 - £11,660.91 x 16	£186,574.56
Step 3 - [(74/365 + 35) x 3/80 × £26,500 = £ 34,982.72] + £186,574.56	£221,557.28
Step 4 - £221,557.28 + 3.1 per cent	£228,425.55
Total	£228,425.55

The closing value at the end of the post-announcement pension input period is:

Step 1 - 36/80 × £30,000	£13,500
Step 2 - £13,500 x 16	£216,000
Step 3 - (36 × 3/80 × £30,000 = £ 40,500) + £216,000	£256,500
Total	£256,500

The increase in pension input in the post-announcement pension input period is £28,074.45 (£256,500 *minus* £228,425.55)

Vito's total pension input amount for 2011-12 is £30,139.06 (£2,064.61 + £28,074.45).

Paying the Annual Allowance excess tax charge from your pension savings

You are liable to the Annual Allowance excess tax charge if your pension savings are more than the total of the Annual Allowance for 2011–12 plus any unused Annual Allowance you can carry forward from the three previous tax years.

However, you may make an election that orders the scheme administrator of your pension scheme to pay some or all of your Annual Allowance charge liability relating to that scheme on your behalf out of your pension savings in that scheme. In return there will be an appropriate reduction in your pension benefits in that scheme.

When you make an election that orders your pension scheme to pay an amount of your Annual Allowance excess tax charge, the scheme administrator of that scheme becomes jointly liable with you for the amount of tax that you have asked the scheme to pay. This joint liability applies from the time your pension scheme administrator receives your notification. You are still liable for the whole amount. But you can have a credit for any amount paid by the scheme administrator.

If you want your scheme to pay an amount of your Annual Allowance excess tax charge for 2011–12 then you must give your notification to your scheme no later than 31 December 2013. If you expect to take all of your benefits from the pension scheme in the tax year to which your liability relates, then you must tell the pension scheme before you become entitled to those benefits.

Your pension scheme administrator should tell you what information you must give in your notification. In certain, limited, circumstances your pension scheme administrator can refuse to pay the amount of Annual Allowance excess tax charge you have required your scheme to pay. Your pension scheme administrator should tell you about this when any of the circumstances apply.

You can make an election that orders your pension scheme to pay your Annual Allowance excess tax charge only if the following conditions are met:
- your Annual Allowance excess tax charge for the tax year has exceeded £2,000, and
- the total amount of your pension savings in your pension scheme for the same tax year has exceeded the Annual Allowance (£50,000 for 2011–12).

If you meet these conditions and you made pension savings in only one pension scheme, you can ask your scheme to pay all of your Annual Allowance excess tax charge for the tax year. Alternatively, you could ask your scheme to pay some of your liability for the tax year and you would have to pay the balance yourself or decide to pay all of your liability yourself.

Where you have made pension savings in more than one pension scheme there is a maximum amount that you can order the pension scheme, where your pension savings in that scheme alone for the tax year exceeded the Annual Allowance of £50,000 for 2011–12, to pay. The maximum amount is found by comparing the excess pension savings in the scheme you have asked to pay with the total amount of your excess pension savings for 2011–12 that was charged at a rate 20 per cent, 40 per cent and/or 50 per cent.

Contacts

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Example 9

Tracey has total pension savings of £95,000 for the tax year and her income for the year on which she has to pay tax is £130,000.

Together with the £50,000 Annual Allowance for the tax year and the amount of unused Annual Allowance she can carry forward from the previous three tax years, Tracey's available Annual Allowance for the tax year is £70,000.

As Tracey's pension savings of £95,000 is more than her available Annual Allowance of £70,000, she has £25,000 excess pension savings on which she has to pay the Annual Allowance excess tax charge.

Based on her taxable income for the tax year, Tracey's Annual Allowance excess tax charge for the year, for her excess pension savings, is £10,500.

For the purpose of this example, Tracey's higher rate limit is £150,000 and her basic rate limit is £40,000.

Tracey's excess pension savings and reduced net income added together is £155,000.

The total of Tracey's excess pension savings and reduced net income exceeds £150,000 by £5,000, so £5,000 of her excess pension savings is chargeable at 50 per cent.

The remaining part of Tracey's excess pension savings, £20,000, is chargeable at 40 per cent.

Tracey's Annual Allowance excess tax charge is calculated as:
- £5,000 x 50 per cent = £2,500
- £20,000 x 40 per cent = £8,000
- £0 x 20 per cent = £0.

The Annual Allowance excess tax charge is £10,500.

Tracey's pension savings built up in two pension schemes.

Scheme 1 - £58,000

Scheme 2 - £37,000

Tracey can only elect to require Scheme 1 to pay because her total Annual Allowance excess tax charge for the tax year was more than £2,000 and her pension savings in Scheme 1 only was more than the Annual Allowance for the year (which is £50,000 and not Tracey's available Annual Allowance for the year of £70,000).

The amount of Annual Allowance excess tax charge that Tracey can require Scheme 1 to pay is based only on £8,000 (the amount of her pension savings in Scheme 1 above £50,000 - 'Scheme 1 excess').

As Tracey's total Annual Allowance excess tax charge is based on both the 50 per cent and 40 per cent tax rate, Tracey must compare her Scheme 1 excess of £8,000 with the amounts of her total excess pension savings that was charged at 50 per cent and then 40 per cent.

Tracey's Scheme 1 excess (£8,000) is more than the part of her total excess pension savings that was charged at 50 per cent (£5,000), so Tracey can use the 50 per cent rate on £5,000 worth of the Scheme 1 excess.

The balance of the Scheme 1 excess, £3,000, is less than the part of her total excess pension savings that was charged at 40 per cent (£20,000), so Tracey can use the 40 per cent rate on all of the balance.

The maximum amount Tracey can ask Scheme 1 to pay is £3,700
([£5,000 x 50 per cent] + [£3,000 x 40 per cent]).

This means that Tracey would have to pay the remaining balance of £6,800
(£10,500 *minus* £3,700) direct to HMRC if she asks Scheme 1 to pay the maximum amount she can require Scheme 1 to pay, which is £3,700.

Box 9 *Annual Allowance tax paid or payable by your pension scheme*

Enter the amount of Annual Allowance excess tax charge paid or payable by the scheme administrator, who you will have told how much tax has been paid. Where more than one pension scheme has paid such a tax charge, enter the total.

Box 10 *Pension scheme tax reference number (PSTR)*

Enter the PSTR number of the pension scheme that is paying an amount of your Annual Allowance excess tax charge for 2011–12. Your pension scheme administrator should give you this information. If more than one pension scheme is paying an amount, enter the PSTR numbers of the other pension schemes in the 'Additional information' box, box 20 on page Ai 4 of the *Additional information* pages.

More information

For more information about the Annual Allowance, please see the Registered Pension Schemes Manual, from page RPSM06105000 at **www.hmrc.gov.uk**

Boxes 11 and 12 *Unauthorised payments charge and surcharge*

Do not include any unauthorised payments in box 11 and/or box 12 if you have given authority to the pension scheme administrator to withhold the tax that you are due to pay in respect of that payment and for the scheme administrator to pay that tax over to us on your behalf.

Otherwise, if any unauthorised payments have been paid to you (or for you) in the tax year, complete box 11 and/or box 12, as appropriate.

Unauthorised payments

Unauthorised payments are payments by registered pension schemes which are made either to you, or for you, and which:

- are specifically described in the pensions tax legislation as being unauthorised payments, or
- do not fit within the pensions tax legislation as being authorised payments.

'Payments' need not necessarily be monetary amounts, but may include, for example, a transfer of assets. The scheme administrator is likely to have told you if a payment was an unauthorised payment.

Unauthorised payments charge

If you received an unauthorised payment, or if one was paid to someone else but for you, you are liable to an Income Tax charge of 40 per cent of the value of the unauthorised payment. This is called the unauthorised payments charge.

Unauthorised payments surcharge

An unauthorised payments surcharge applies where the amount of the unauthorised payments made to, or for you, in a 'surcharge period' (see page 23) reaches a set 'surcharge threshold'. This is where the amount of the unauthorised payments from a registered pension scheme reaches 25 per cent of the value of your rights under that scheme. The surcharge is an Income Tax charge of 15 per cent of the value of the unauthorised payments, and is on top of the 40 per cent unauthorised payments charge.

The scheme administrator is likely to have told you if the unauthorised payments surcharge applied to a payment they made to you or for you.

Contacts

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Unauthorised payments surcharge period

A surcharge period starts on the date that the first unauthorised payment was made to you, or for you, and ends:
- 12 months after that date, or
- on the day on which the surcharge threshold is reached, if earlier.

So, if in any 12 months the total unauthorised payments to, and for, you from a particular scheme are less than 25 per cent of the value of your rights under that scheme, there is no unauthorised payments surcharge.

Box 11 *Amount of unauthorised payment from a pension scheme, not subject to surcharge*

If you received an unauthorised payment, and the payment is not subject to the unauthorised payments surcharge, enter the amount of the unauthorised payment in box 11. But see the note below.

Box 12 *Amount of unauthorised payment from a pension scheme, subject to surcharge*

If you received an unauthorised payment, and the payment is subject to the unauthorised payments surcharge, enter the amount of the unauthorised payment in box 12. But see the note below.

Please note

An unauthorised payment from a registered pension scheme paid to you, or for you, might have a deduction made from it to cover a tax liability that the scheme administrator of the pension scheme also has for the same payment. When such a deduction is made, the amount of the unauthorised payment you must enter in box 11 or box 12, as appropriate, is the amount before the deduction. For example, if the unauthorised payment would have been £100 but £85 is paid instead, because an amount of £15 has been deducted to cover the scheme administrator's tax liability, you must enter £100 in the appropriate box.

The scheme administrator of the pension scheme should tell you if such a deduction has been made.

Unauthorised payment not subject to surcharge when paid which later becomes subject to surcharge

If an unauthorised payment was paid to you, or for you, in the previous tax year that was not subject to the unauthorised payments surcharge when it was paid, that payment might become subject to the surcharge because of an unauthorised payment paid to you, or for you, in this tax year. That is because the further payment means the surcharge threshold is reached and all of the payments fall within the same surcharge period. If this happens, please contact us about your tax return for the 2010–11 tax year.

Working Sheet – total pension savings charges

Use this Working Sheet to work out the figure to put into box 6 on the *Tax calculation summary* pages. If you are liable to the Annual Allowance charge start by calculating the tax due on all your income. You can do this by filling in the *Tax calculation summary notes* up to and including box A111, in section 6. You will need the values from boxes A104, A109 and A111 for boxes 10 and 11 below. Other box numbers referred to in the Working Sheet below refer to the boxes on page Ai 4 of the *Additional information* pages. If any box on this Working Sheet is negative, substitute zero.

Lifetime Allowance charge			
Excess taken as lump sum		1 (from box 5 on Ai 4)	2 (box 1 x 55%)
Excess taken as pension		3 (from box 6 on Ai 4)	4 (box 3 x 25%)
Lifetime Allowance charge			5 (box 2 + box 4)
Tax paid		6 (from box 7 on Ai 4)	7 (lower of box 5 and box 6)
Lifetime Allowance charge due			8 (box 5 minus box 7)
Annual Allowance charge			
Amount in excess of £50,000		9 (from box 8 on Ai 4)	
Basic rate band	10 (A109 + A111)		
Taxable income	11 (from A104)		
Unused basic rate band	12 (box 10 minus box 11)	13 (lower of box 9 and box 12)	14 (box 13 x 20%)
	15 (box 11 minus box 10)	16 (box 9 minus box 13)	
Higher rate band	17 **£115,000**		
Unused higher rate band	18 (box 17 minus box 15)	19 (lower of box 16 and box 18)	20 (box 19 x 40%)
		21 (box 16 minus box 19)	22 (box 21 x 50%)
Total Annual Allowance charge			23 (box 14 + box 20 + box 22)
Tax paid by the pension scheme		24 (from box 9 on Ai 4)	25 (lower of box 23 and box 24)
Annual Allowance charge due			26 (box 23 minus box 25)
Unauthorised payments			
'Not subject to surcharge' amount		27 (from box 11 on Ai 4)	28 (box 27 x 40%)
'Subject to surcharge' amount		29 (from box 12 on Ai 4)	30 (box 29 x 55%)
Unauthorised payment charge and surcharge			31 (box 28 + box 30)
Total pension charges			32 (box 8 + box 26 + box 31)

Copy box 32 to box 6 on the *Tax calculation summary* pages