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

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If you had Enhanced Protection throughout 2010–11, 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 2010–11, you may be liable for a Lifetime Allowance excess tax charge on benefits first taken on or after that date. 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 2010–11, or
- have reached age 75 in 2010–11 and have not taken any benefits from a pension arrangement you have in a registered pension scheme, or have an unsecured 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

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 2010–11 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% of the standard Lifetime Allowance for the tax year. In 2010–11, your higher Lifetime Allowance would be £2,700,000.

Your Lifetime Allowance may be reduced if you took benefits in 2010–11 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 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 2010–11, 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 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 Lifetime Allowance in force at 6 April 2006.

You may be liable to a tax charge in 2010–11 if:

- the total used percentage is in excess of 100% (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 2010–11.

How do I find the monetary value of the excess?

You need to convert the excess percentage arising in 2010–11 to a monetary figure by multiplying the excess percentage by your Lifetime Allowance for 2010–11. For example, a total of 125% means that you have exceeded the standard Lifetime Allowance by 25%. Assuming the whole 25% relates to benefits taken for the first time in 2010–11 and you have the standard Lifetime Allowance, you multiply £1,800,000 by 25% to give £450,000, which is the amount of your excess in 2010–11.

You should only include the value of the excess for benefits which were taken for the first time in 2010–11. This might include, for example, the purchase of a lifetime annuity from an unsecured pension fund.

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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, but only enter the part of amounts which exceed the Lifetime Allowance. And 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 unsecured 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 2010–11 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 2010–11 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 pension rights (for defined benefits) or amounts of contributions paid (for money purchase arrangements) which have arisen in a 'pension input period' ending in 2010–11.

You can ignore box 8 if you:
- became entitled to all your pension benefits from all your pension schemes before 6 April 2011, or
- had Enhanced Protection throughout tax year 2010–11, or
- are the personal representative of a scheme member who died during 2010–11 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 of 40% on the excess amount above your Annual Allowance if, in pension input periods ending in 2010–11, the amount of the increase in your pension savings in registered pension schemes was more than your Annual Allowance. The Annual Allowance for the tax year 2010–11 is £255,000.

Enter in box 8 only the amount of the increases in pension savings which in aggregate exceed the 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 2010–11 for those arrangements.

How do I know I have exceeded the 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

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- 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 away from the corresponding figure for this year, and multiplying the resulting amount by 10. As a guide, where the increase in entitlement to future pension rights during the pension input period is £25,500, this uses up the whole of the Annual Allowance for 2010–11). Disregard the effect of any transfer payments or a pension sharing order, or the taking of some (but not all) of the 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 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 greater of 5% or the increase in the Retail Prices Index during the period. 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 some (but not all) 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.

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 2010–11. Do not count pension savings in pension input periods which will end after 5 April 2011. They will be counted next year. Your scheme administrator may have told you when a period ends. Otherwise, it may end on the anniversary of the start date. So if an arrangement started on 1 June 2009, it will end on 1 June 2010.

More information

For further details about the Annual Allowance, please see the *Registered Pension Schemes Manual*, from page RPSM06100000 at **www.hmrc.gov.uk**

Special Annual Allowance excess tax charge

Boxes 9 and 10 *Amount saved towards your pension in excess of the Special Annual Allowance*

Only complete box 9 and/or box 10 if you have:

- relevant income of £130,000 or more for 2010–11, and
- non-protected increases to your pension savings during 2010–11, and
- those non-protected increases to your pension savings exceed your Special Annual Allowance.

Otherwise do not complete boxes 9 or 10.

If you have relevant income of £130,000 or more for 2010–11, the Special Annual Allowance applies to you.

It applies from 22 April 2009 if you had relevant income of £150,000 or more for 2009–10. In practice this means your total income was £150,000 or more for any of 2007–08, 2008–09 or 2009–10.

If you did not have relevant income of £150,000 or more for 2009–10, the Special Annual Allowance applies to you from 9 December 2009.

The Special Annual Allowance test is only for non-protected increases to your pension savings which occurred in 2010–11, represented by non-protected increases in pension rights (for defined benefits arrangements and cash balance arrangements) or non-protected amounts of contributions paid (for money purchase arrangements) which have arisen in 2010–11 in respect of UK-registered pension schemes and certain overseas pension schemes. (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.*)

If the total of your non-protected pension savings for 2010–11 exceeds your Special Annual Allowance, the Special Annual Allowance excess tax charge applies in respect of the part of those savings that is over your allowance. For example, if the total amount of your non-protected pension savings is £30,000 and your Special Annual Allowance is £20,000 the Special Annual Allowance excess tax charge applies in respect of £10,000.

But if you are liable to an Annual Allowance excess tax charge because the increase in your pension savings exceeds the Annual Allowance (you will have entered an amount in box 8), you will not also be liable to a Special Annual Allowance excess tax charge on that excess amount. The Annual Allowance is £255,000 in 2010–11.

If you have an excess amount of non-protected pension savings for 2010–11, you may be liable to a tax charge of 20% or 30% on that amount or you may be liable at 20% on part of it and at 30% on the balance. You may need to put that amount in box 9 only or in box 10 only or you may need to put some of the excess amount in box 9 and the balance in box 10. This will depend on your circumstances.

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Before entering an amount in box 9 and/or box 10, deduct from your excess amount of non-protected pension savings for 2010–11 any amount you have entered in box 8.

Do not put anything in box 9 or box 10 if nothing is left after you deducted the amount you have entered in box 8 from your excess amount of non-protected pension savings.

The amount left of your excess amount of non-protected pension savings after you deducted the amount you have entered in box 8 or all of your excess amount of non-protected pension savings for 2010–11, if you have not entered anything in box 8, is your excess amount.

Only your excess amount is shown in box 9 and/or box 10.

To determine what part of your excess amount goes into box 9 or box 10, take the following steps:

Step 1

Establish your total income for 2010–11 that is chargeable to Income Tax. This is all your income less the amount of relief and allowances you are able to deduct from it for 2010–11.

Your income would include:
- earnings from employment and earnings from self-employment/partnerships
- most pension income
- interest on most savings
- income from shares
- rental income
- income from a trust.

The relief and allowances that may have been deducted might include:
- trading and property losses
- shares, securities, land gifted to charity
- retirement annuity premiums (box 2 on page TR 4)
- tax-free Personal Allowance, if you are entitled to any
- Blind Person's Allowance.

Step 2

Add your excess amount to your total income. This is your 'total amount'.

Step 3

Put nothing in box 9 or box 10 if your total amount does not exceed £37,400. If your total amount exceeds £37,400, go to Step 4.

Step 4

If your total amount exceeds £37,400, separate your total amount back into your total income and excess amount. If your total income does not exceed £37,400 go to Step 9. If your total income exceeds £37,400 go to Step 5.

Step 5

If your total amount exceeds £37,400 but it does not exceed £150,000, put your excess amount in box 9 (do not put your total amount in box 9) and do not put anything in box 10. If your total amount exceeds £150,000, go to Step 6.

Step 6

If your total amount exceeds £150,000, separate your total amount back into your total income and excess amount. Go to Step 7.

Step 7

If your total income exceeds £150,000, put your excess amount into box 10 (do not put your total amount in box 10) and do not put anything in box 9. If your total income does not exceed £150,000 when you separate your total amount back into your total income and excess amount, go to Step 8.

Step 8

Put into box 9 the part of your excess amount that represents the difference between your total income and £150,000 and put the balance of your excess amount in box 10. For example, if your total income is £145,000 and your excess amount is £15,000, put £5,000 into box 9 and £10,000 into box 10.

Step 9

If your total income is less than £37,400, reduce your excess amount by the amount that represents the difference between your total amount and £37,400 (for example, if your total income is £25,000 and your total amount is £45,000, reduce your excess amount to £7,600). Then complete Steps 5 to 8 above as appropriate but on the basis that your total income is £37,400.

Steps 1 to 9 above are based on the basic rate tax being charged on the first £37,400, higher rate on £37,401 to £150,000 and additional rate on amounts over £150,000. But £37,400 and £150,000 can be increased by any personal pension payments (box 1 on page TR 4) and grossed up Gift Aid (box 5 on page TR 4) x 100/80.

The increases in your pension savings for 2010–11 are arrived at differently depending on the type of pension arrangements you have. Your arrangements would be any one or more of the following:

- a money purchase arrangement (one in which benefits are provided from a pension pot derived from contributions made by your employer and perhaps also by you)
- a defined benefits arrangement (typically one in which the level of benefits is calculated by reference to your earnings and length of employment)
- a cash balance arrangement (one where there is a promised pot but without specifying the form of benefit), and
- a hybrid arrangement (one 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).

How do I calculate my relevant income and find out if the Special Annual Allowance excess tax charge applies to me for 2010–11?

To find out your relevant income for 2010–11 you will need to do the following calculation.

Step 1

Take your total income that is chargeable to Income Tax for 2010–11 before any deduction for your Personal Allowance. This includes:

- earnings from employment
- earnings from self-employment/partnerships
- most pension income

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- interest on most savings
- income from shares
- rental income
- income from a trust.

Step 2

Add to your total income figure under Step 1 the amount of pension contributions you made in 2010–11 that were deducted from your pay before tax.

Step 3

Deduct the amount of relief you received in 2010–11 in respect of, mainly, trading and property losses. This includes:

- trade loss relief against general income
- carry-forward trade loss relief
- terminal trade loss relief
- share loss relief

but this does not include relief you have claimed for in respect of any pension contributions you made in 2010–11.

Step 4

From the amount found after Steps 1, 2 and 3, deduct the amount of pension contributions for 2010–11 for which you can get relief. If the amount of those contributions is more than £20,000, the maximum deduction you can make is £20,000.

Step 5

Add the amount of any salary sacrifice relating to contributions to, or benefits under, a pension scheme where you made the sacrifice agreement on or after 22 April 2009.

Step 6

From the amount found after Step 5, deduct any amount that qualifies for 'Gift Aid' tax relief in 2010–11.

If the result is £130,000 or more, the Special Annual Allowance applies to you for the 2010–11 tax year. If the resulting figure is less than £130,000, you must carry out the same calculation but in relation to the 2009–10 tax year. If the resulting figure is £130,000 or more, the Special Annual Allowance applies to you for the 2010–11 tax year. If not, do the same calculation again but for the 2008–09 tax year, except there will be no Step 5. Again, if the result is £130,000 or more, the Special Annual Allowance applies to you for the 2010–11 tax year.

If the resulting figure is £130,000 or more you must carry out Step 7 unless you had relevant income of £150,000 or more for 2009–10 (in practice this means your total income was £150,000 or more for any of 2007–08, 2008–09 or 2009–10).

Step 7

If the resulting income figure is £130,000 or more and you did not have relevant income of £150,000 or more for 2009–10, you need to carry out Steps 1 to 6 again for the 2010–11 tax year, but at Step 5 you need only take account of salary sacrifice agreements made on or after 9 December 2009. If the resulting figure is still £130,000 or more, the Special Annual Allowance applies to you for the 2010–11 tax year.

If the resulting figure is less than £130,000, you must carry out the same calculation but in relation to the 2009–10 tax year. If the resulting figure is £130,000 or more, the Special Annual Allowance applies to you for 2010–11. If not, do the same calculation again but for the 2008–09 tax year, except there will be no Step 5. Again if the resulting figure is still £130,000 or more then the Special Annual Allowance applies to you for the 2010–11 tax year.

If the resulting figure is less than £130,000 the Special Annual Allowance does not apply to you for the 2010–11 tax year.

What is my Special Annual Allowance for 2010–2011?

The amount of your Special Annual Allowance will depend on your circumstances.

Your Special Annual Allowance for 2010–11 will be either:
- £30,000
- an amount of more than £20,000 but less than £30,000, or
- £20,000

but your Special Annual Allowance for 2010–11 will only be based on one of the above amounts – the starting amount – if certain possible deductions have to be made from the starting amount.

Your Special Annual Allowance is £30,000 or an amount of more than £20,000 but less than £30,000 if:
- you have (or a person such as your employer has on your behalf) made infrequent contributions to money purchase pension arrangements in any of the 2006–07, 2007–08 and 2008–09 tax years, and
- the average of those contributions over that three year period is greater than £20,000.

Take the average figure as your Special Annual Allowance but take £30,000 as your Special Annual Allowance if the average figure is £30,000 or more.

Otherwise take £20,000 as your Special Annual Allowance.

For example, if you had infrequent money purchase contributions of £10,000 in 2006–07, none in 2007–08 and £70,000 in 2008–09, the average amount of those contributions would be £26,667. Your Special Annual Allowance for 2010–11 would be £26,667.

However, the amount that you have found from the above might only be the starting amount for the purpose of your Special Annual Allowance for 2010–11, if certain possible deductions have to be made from that starting amount. Your actual Special Annual Allowance for 2010–11 will then be the starting amount less the amount of the deductions.

What are infrequent money purchase contributions?

These are contributions made by you, other people on your behalf and your employer, to money purchase arrangements under registered pension schemes. These include an employer's 'defined contribution' pension scheme, a personal pension scheme or a stakeholder pension scheme, in any of the 2006–07, 2007–08 or 2008–09 tax years where those contributions have been paid less frequently than quarterly; typically contributions that were made as one-off payments.

Contributions that were made on a regular basis to money purchase arrangements, for instance at least quarterly, or more typically, monthly,

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are not included and nor are any contributions to a defined benefits arrangement.

What are the certain possible deductions made against my Special Annual Allowance?

If, in 2010–11, you have a protected pension savings in respect of registered pension schemes, then this amount of pension savings is deducted from your starting amount of Special Annual Allowance.

For example, if your starting amount of Special Annual Allowance was £30,000 but you had a protected pension savings of £25,000 in 2010–11, your Special Annual Allowance for 2010–11 is £5,000.

If the amount of your protected pension savings for 2010–11 is more than your starting amount of Special Annual Allowance, your Special Annual Allowance for 2010–11 is nil.

What is my protected pension savings?

How you determine your protected pension savings for 2010–11 depends on the type of your pension savings.

For money purchase arrangements (where you are building up a pension pot) it is all contributions made in 2010–11 by you, other people on your behalf and your employer that have continued to be made on a regular basis since before 22 April 2009 (since before 9 December 2009 if you did not have relevant income of £150,000 or more for 2009–10), under terms that have not changed since that date. A 'regular basis' means contributions that were being paid at least quarterly (monthly is more typical).

For example, if, since before 22 April 2009, you have continued to pay monthly contributions of £1,000 per month throughout 2010–11 to a personal pension scheme, your total pension savings for 2010–11 in relation to that arrangement is £12,000 and all of it is a protected pension savings. If after six months you decided to increase your monthly contributions to that arrangement to £2,000 per month, your total pension savings in relation to the arrangement is £18,000 but only £12,000 of that total pension savings is protected. The balance, £6,000, is a non-protected increase and is tested against your Special Annual Allowance.

If the monetary amount of your regular contributions to a money purchase arrangement increased during 2010–11 because those contributions were based on a rate linked to pay, where the rate did not change but the pay increased (for example, the contributions were 5% of pay), the increased amount of pension savings would still be protected, provided the terms that resulted in that increase were in place before 22 April 2009 (before 9 December 2009 if your relevant income was less than £150,000 for 2009–10).

For defined benefits (where you build up specified pension rights, for example, one-sixtieth of pay for each year of service) and cash balance arrangements (that is, where there is a promised pot but without specifying the form of benefit), it is in respect of benefits that have continued to accrue under an arrangement since before 22 April 2009 (before 9 December 2009 if your relevant income was less than £150,000 for 2009–10) where, on or after that date, there has been no material change to the way those benefits were accruing. Such a material change can be ignored, however, provided the change is applied to at least 50 members of the pension scheme.

If you joined an employer's pension scheme on or after 22 April 2009 (on or after 9 December 2009 if your relevant income was less than £150,000 for 2009–10), the pension savings under that scheme is protected, provided you are included in a group of at least 20 people under the pension scheme who are building up benefits under the pension scheme on the same basis.

What are refunded amounts?

These are amounts that represent certain non-protected pension savings you made during 2010–11 that you received as a refund from the pension scheme in the 2011–12 tax year.

How do I know if I have exceeded my Special Annual Allowance?

First you must add up all of your pension savings in registered pension schemes for 2010–11.

From that total amount of pension savings, deduct the amounts which represent your:
- protected pension savings for 2010–11, and
- any refunded amounts.

Any amount left over is your non-protected pension savings for 2010–11 and this amount is tested against your Special Annual Allowance. If that amount exceeds your Special Annual Allowance, that part of the amount over your allowance, the excess, is subject to the Special Annual Allowance excess tax charge.

What is counted as an increase in my pension savings in a registered pension scheme in 2010–11?

This will depend on the nature of your arrangement in a pension scheme. The increase in your pension savings is counted in the following ways.

Money purchase arrangement

For money purchase arrangements (that is, where you are building up a pension pot), all contributions made in 2010–11 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.

Defined benefits arrangement

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 2010–11, of the increase in your pension rights in defined benefit arrangements (the increase in your rights, converted to a capital value, is found by taking the figure at the start of 2010–11 year away from the figure at the end of 2010–11, and multiplying the resulting amount by 10). Disregard the effect of any transfer payments or a pension sharing order, or the taking of some (but not all) of the benefits
- any increase over 2010–11 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).

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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.

Cash balance arrangement

For cash balance arrangements (that is, where there is a promised pot but without specifying the form of benefit), any increase in 2010–11 in the amount available for the provision of benefits. Count as input only any increase between the start and end of 2010–11. The value of the promised pot at the start of the period can be increased by the greater of 5% or the increase in the Retail Prices Index during the period. 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 some (but not all) benefits.

Hybrid arrangement

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.

All arrangements

Remember, once you have added up all of your pension savings for 2010–11, deduct any amounts that represent your protected pension savings for the year and any refunded amounts. Any balance left over is then tested against your Special Annual Allowance.

For example, if the starting amount of your Special Annual Allowance is £30,000 (because of infrequent money purchase contributions you paid in the three tax years up to 2008–09) and your only protected pension savings for 2010–11 is £12,000 (represented by monthly contributions of £1,000 to a personal pension scheme), your Special Annual Allowance for 2010–11 is £18,000 (£30,000 less the amount of your protected pension savings).

If you also made other pension savings of £20,000 in 2010–11, your total amount of pension savings would be £32,000 but as your protected pension savings is £12,000, that other pension savings of £20,000 is non-protected.

Only the non-protected pension savings of £20,000 is tested against your Special Annual Allowance for 2010–11 of £18,000. As the amount of the non-protected pension savings is more than your Special Annual Allowance, you are liable to a tax charge on the excess amount of £2,000 (being £20,000 less £18,000).

How much of the excess amount is put in box 9 and/or box 10 in order to establish your tax liability is explained under the heading 'Amount saved towards your pension in excess of the Special Annual Allowance' on page 6.

You can ignore the pension savings made under certain pension arrangements if you took all your benefits in 2010–11 from those arrangements. The certain arrangements are defined benefits arrangements under a pension scheme with at least 20 members who have defined benefits under the same scheme and, in the case of employment related pension savings, any type of arrangement if you took all of the benefits due to you retiring on ill-health grounds.

If you are the personal representative of a scheme member who died during 2010–11 and you are filling in this form on that person's behalf for the period up to the date of death, you can ignore the pension savings made under certain pension arrangements. The certain arrangements are defined benefits arrangements for that person under a pension scheme with at least 20 members who have defined benefits under the same scheme and any type of arrangement in the case of employment related pension savings if, in 2010–11, the person took all of the benefits due on ill-health grounds.

The pension savings covered by this tax return

Each pension arrangement you have in a 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 use a different period.

For the purpose of the Special Annual Allowance, you must count increases in pension savings that occurred during 2010–11, that is 6 April to 5 April.

Do not use the pension input period in respect of a particular pension arrangement that is used for the purpose of the Annual Allowance unless that input period happens to be the same period as this tax year.

More information

For further details about the Special Annual Allowance, please see the *Registered Pension Schemes Manual*, from page RPSM15100000 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 in respect of 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 in respect of 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.

> **Contacts**
> Please phone:
> - the number printed on page TR 1 of your tax return
> - the SA Helpline on **0845 9000 444**
> - the SA Orderline on **0845 9000 404** for helpsheets
>
> or go to **www.hmrc.gov.uk**

'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 in respect of you, you are liable to an Income Tax charge of 40% 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 in respect of you, in a 'surcharge period' (see below) reaches a set 'surcharge threshold'. This is where the amount of the unauthorised payments from a registered pension scheme reaches 25% of the value of your rights under that scheme. The surcharge is an Income Tax charge of 15% of the value of the unauthorised payments, and is on top of the 40% 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 in respect of you.

Unauthorised payments surcharge period

A surcharge period starts on the date that the first unauthorised payment was made to you, or in respect of 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 in respect of, you from a particular scheme are less than 25% 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 in respect of you, might have a deduction made from it to cover a tax liability that the scheme administrator of the pension scheme also has in respect of 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 in respect of 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 in respect of 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 2009–10 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. The 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	*from box 5 on Ai 4*	1 £	box 1 @ 55%	2 £
Excess not taken as lump sum	*from box 6 on Ai 4*	3 £	box 3 @ 25%	4 £
Lifetime Allowance charge due			box 2 + box 4	5 £
Tax paid *from box 7 on Ai 4*		6 £	lower of 5 and 6	7 £
Lifetime Allowance charge due			box 5 minus box 7	8 £

Annual Allowance charge

Amount in excess of Annual Allowance	*from box 8 on Ai4*	9 £	box 9 @ 40%	10 £

Special Annual Allowance charge

Amount in excess of Special Annual Allowance	*from box 9 on Ai4*	11 £	box 11 @ 20%	12 £
	from box 10 on Ai4	13 £	box 13 @ 30%	14 £

Unauthorised payments

'Not subject to surcharge' amount	*from box 11 on Ai4*	15 £	box 15 @ 40%	16 £
'Subject to surcharge' amount	*from box 12 on Ai4*	17 £	box 17 @ 55%	18 £
Unauthorised payment charge and surcharge due			box 16 + box 18	19 £

Total pension savings charges

Box 8 + box 10 + box 12 + box 14 + box19

20 £

Copy box 20 to box 6 on the *Tax calculation summary page*

These notes are for guidance only and reflect the position at the time of writing. They do not affect any rights of appeal. Any subsequent amendments to these notes can be found at **www.hmrc.gov.uk**