

The Local Government Pension Scheme and The Finance Act 2004

**Tax limits on retirement benefits
Declaration of benefits from all
sources**

Guidance on completion of Form A or Form B



The reference to "due date" in these notes and the Declaration Forms A and B means the date on which your benefits, in respect of which the Form has been issued, are due to come into payment.

EXPLANATION OF FORMS

If the total amount of benefits due to a person from all registered pension schemes exceeds a "Lifetime Allowance" set by HM Revenue and Customs ("HMRC"), tax charges may apply. Because of this, before Staffordshire County Council can assess your entitlement to benefits under the Local Government Pension Scheme ("LGPS"), they need you to declare your entitlement to any other pension benefits.

What is a "Lifetime Allowance"?

HMRC make tax rules with which registered pension schemes must comply. The LGPS is a registered pension scheme. This gives Scheme members certain tax concessions. For example, the contributions you pay to the Scheme normally attract tax relief. Also, apart from any Pay As You Earn ("PAYE") income tax that you may be required to pay on instalments of pension, the benefits paid out by the Scheme are not normally taxed provided that the total capital value of all the benefits to which you are entitled from registered pension schemes does not exceed a "Lifetime Allowance" set by HMRC. If the total capital value of benefits **does** exceed the Lifetime Allowance, the excess will be subject to tax charges.

This principle of testing the value of benefits against a Lifetime Allowance was introduced on 6 April 2006. The current Lifetime Allowance can be found on the Staffordshire Pension Fund website at <https://www.staffspf.org.uk/Members/Lifetime-allowance/LifetimeAllowance.aspx>. If you have pension rights in the LGPS and no other pension entitlement, then it is probable that the value of your benefits would exceed the Lifetime Allowance only if you have 40 or more years' membership in the Scheme and your pensionable pay is in excess of £100,000 a year.

Declaration Forms A and B

When the County Council pay your LGPS retirement benefits, Pension Services have to check that those benefits, together with any other pension benefits to which you may be entitled, do not exceed the Lifetime Allowance. As you can see from the figures above, you would have to be entitled to a substantial amount of pension for the Lifetime Allowance to be reached. Consequently, to simplify the declaration process, Pension Services have provided two forms for completion: the shorter Form A to be completed if your total retirement pensions from all sources do not exceed £40,000 a year and the more detailed Form B to be completed if your total retirement pensions from all sources do exceed £40,000 a year. On receipt of Form B, Pension Services will be able to test the level of benefits at the due date and, if they exceed the Lifetime Allowance, will apply tax charges as required by HMRC to the pension and/or lump sum you will be receiving from the Staffordshire Pension Fund.

How can I find out the value of other benefits?

After 5 April 2006, whenever benefits are provided by a registered pension scheme, you will receive a statement from that pension scheme's administrators showing how much of your Lifetime Allowance you have used up. You can then provide the information to the administrators of any other pension scheme who may request it.

Because this tax rule was not introduced until 6 April 2006 a statement would not have been issued with benefits paid before this date. Account must be taken of earlier benefits, however, and so you may have to contact the pension administrators of those schemes for a statement of the portion of Lifetime Allowance that the benefits have used up.

When your pending LGPS pension is paid, Staffordshire County Council will provide you with a statement of the effect on Lifetime Allowance. You will be able to show this to other pension administrators if you become entitled to additional benefits after the due date.

I am a higher earner and could have benefits in excess of the Lifetime Allowance. I have a certificate issued by HMRC which protects my benefits

If HMRC have issued you with a certificate under “transitional protection” rules, when any payment of pension is due you should provide your administrators with a copy of this certificate. The pension administrators will then be aware that when they test the value of your benefits against the Lifetime Allowance, they must take account of the certificate.

What benefits must I declare on Form B?

Benefits from any registered pension schemes must be declared. You will see that there are separate boxes on Form B for –

- pensions in payment before 6 April 2006,
- pensions that will have been put into payment on or after 6 April 2006 and before the due date,
- pensions, other than those in connection with which this Form has been sent, which may also be put into payment on the due date,
- transfers of pension rights to overseas pension arrangements on or after 6 April 2006.

Details of other pensions must include any other LGPS benefits which will be in payment on or before the due date.

You should not declare –

- benefits payable under the State Pension Scheme, including State Pension Credit,
- any benefits to which you are entitled as the widow(er), surviving civil partner or other dependant of the member of any pension scheme,
- benefits that will not be in payment at or before the date on which your LGPS pension from Staffordshire County Council will be paid.

You will see that in Section D of Form B you are asked to state whether any other benefit which comes into payment on the due date should be deemed to come into payment before or after your LGPS pension. This is your choice but it is important to state it because it will dictate which schemes will be responsible for settling any tax liability should you exceed the Lifetime Allowance.

What tax charges are due if the Lifetime Allowance is exceeded?

If the Lifetime Allowance is exceeded, the tax charge would be 55% on the lump sum and 25% on your pension (in addition to any PAYE deductions).

What would happen if I did not return Form A or Form B?

If you do not return Form A or Form B, payment may initially be delayed. If payment is made it will be assumed that the Lifetime Allowance has been exceeded and that tax charges apply in full.

Further information

If you require further information about the areas covered by these notes, you can get in touch as follows:



www.staffspf.org.uk



pensions.enquiries@staffordshire.gov.uk



Staffordshire Pension Fund, 2 Staffordshire Place, Tipping Street, Stafford, ST16 2DH



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If a copy of this information is needed in large print, Braille, another language or on cassette or disc, please contact Pensions Services.