

**SCOTTISH TEACHERS' SUPERANNUATION SCHEME
01/2012**

WHO SHOULD READ: All HR and Payroll Managers
Pension administration staff
Staff who submit data to SPPA

ACTION: To read and circulate as appropriate

SUBJECT: Pension Tax Relief

The purpose of this circular is to:

- remind employers of circulars 04/2011 and 11/2011
- advise employers of the action to take for members retiring
- remind employers that Annual Return data must be received by SPPA no later than 6 July

Circular 04/2011 ([link](#)) advised of the changes that were being introduced during 2011 and 2012 and circular 11/2011 ([link](#)) provided an update. The purpose of this circular is to provide a reminder to all employers of the effect this may have on their members.

Key changes to the Annual Allowance (AA) – pension growth

From the tax year 2011/12, the AA is reduced to £50,000. This means that the AA limit will be exceeded where either:

- a member is only entitled to a pension and the value increases by more than £3,125 after inflation in the year tested or
- a member is entitled to a pension and lump sum and the value increases by more than £2,631 after inflation in the year tested
- members who exceed the allowance will be liable for a tax penalty, which can either be paid by the member directly to HMRC or, if the tax allowance exceeds £2,000, they can ask the scheme to pay their tax liability to HMRC and reduce pension benefits accordingly.

Further information on how to calculate the increase in pension can be found at - <http://www.hmrc.gov.uk/pensionschemes/annual-allowance/pension-input.htm#2>

Further information on scheme pays can be found at - <http://www.hmrc.gov.uk/pensionschemes/annual-allowance/paying.htm>

The AA restriction will not be applied:

- in the year of death
- for serious ill health (life expectancy of less than a year)
- to members who have deferred/preserved benefits in the scheme (unless the benefits are accrued in the current Pension Input Period).



Changes to the Lifetime Allowance (LTA)

The Finance Act 2011 confirmed that the standard LTA would be reduced from its current value of £1.8m to £1.5m, effective from 6 April 2012. This is an important reminder that if a member's benefits are paid or authorised on or after 6 April 2012, their LTA position will be based on the reduced standard LTA unless they have Fixed Protection.

It is important to note that SPPA has no discretion on the date benefits crystallise and the calculation of the LTA used.

For members who do not have either Enhanced or Primary Protection, HMRC has introduced Fixed Protection for those who wish to protect their pension benefits from the reduced LTA. Individuals must apply directly to HMRC before 6 April 2012. Details can be found on HMRC's web at:

<http://search2.hmrc.gov.uk/kb5/hmrc/forms/view.page?record=VZp7BA-5tmM&formId=4083>

SPPA has already identified and contacted members potentially affected by the LTA change and have also notified employer's accordingly.

Employer actions

To allow scheme members to consider how they might be affected by the reduced LTA, employers are asked to bring it to the attention of those who are retiring over the next few months especially in view of the importance of the eventual date of authorisation or payment. The impact on this change to the LTA limit makes it all the more important that fully completed applications are submitted in ample time to allow processing before 6 April.

Employers are reminded that, to comply with UK legislation, they must submit their Annual Return by 6 July each year to allow SPPA to issue statements to members who breach the Annual Allowance limits under the Pensions Act 2011. This will allow members to complete their tax self assessments to meet HMRC's deadlines.

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Contact Information:

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