Pension tax charges - for members of overseas pension schemes that are not UK registered pension schemes

Contacts
Please phone:
- the number printed on page TR 1 of your tax return
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or go to **hmrc.gov.uk/sa**

This helpsheet will help you to complete the Pension savings tax charges and taxable lump sums from overseas pension schemes section on page Ai 4 of the *Additional information* pages.

It contains information about the pension savings tax charges on:
- benefits in excess of the Lifetime Allowance
- pension savings in excess of the Annual Allowance
- unauthorised payments
- short service refunds of contributions
- lump sum death benefit payments
- serious ill-health lump sums paid after you reached age 75, and
- trivial commutation and winding-up lump sums
- flexible drawdown taken during a period of temporary non-residence.

You may be liable to such a charge if you are a member of an overseas pension scheme that is not registered in the UK in which you have 'UK tax-relieved funds' or 'UK transferred funds'.

UK tax-relieved funds are funds in an overseas pension scheme made up of:
- contributions made by you, or on your behalf, on or after 6 April 2006 that were relieved or exempted from UK tax
- employer contributions made on or after 6 April 2006 for retirement and death benefits if you were exempted from UK Income Tax on those contributions, and
- the notional fund attributable to the expense incurred on or after 6 April 2006 by your employer for your retirement and death benefits, if you were exempted from UK Income Tax on that expense.

UK transferred funds are funds in an overseas pension scheme that were transferred directly or indirectly to that scheme on or after 6 April 2006 from a UK registered pension scheme, or from UK tax-relieved funds or UK transferred funds in another overseas pension scheme.

Boxes 7 to 9 *Lifetime Allowance excess tax charge*

Ignore boxes 7 to 9 if your funds in an overseas pension scheme derive solely from UK transferred funds.

If you have UK tax-relieved funds in an overseas pension scheme you may be liable to a Lifetime Allowance excess tax charge unless in 2013–14:
- no benefits from an overseas pension scheme have come into payment, and
- no rights have been transferred from an overseas pension scheme to a qualifying recognised overseas pension scheme.

Even if scheme benefits have come into payment or rights have been transferred to a qualifying recognised overseas pension scheme in 2013–14, you can ignore boxes 7 to 9 if:
- the aggregate value of any benefits that have come into payment since 6 April 2006 plus the aggregate of any amounts transferred to such a scheme since 6 April 2006, does not exceed the standard Lifetime

Allowance (£1.5 million for 2013–14), and
- you have no rights in any UK registered pension scheme.

You can find guidance on how to value benefits in the Registered Pension Schemes Manual at **hmrc.gov.uk/manuals/rpsmmanual/rpsm11104000.htm** (As a guide, a pension of £75,000 a year would normally have a value of no more than £1.5 million.) You can find out what a qualifying recognised overseas pension scheme is on page RPSM14101050 of this manual.

Your Available Lifetime Allowance is the amount that you have left after deducting the value of any benefits that came into payment after 6 April 2006, plus any amounts transferred to a qualifying recognised overseas pension scheme since that date, from the Lifetime Allowance. You can find information about the Lifetime Allowance in the Registered Pension Schemes Manual, from page RPSM11100000.

You can find more information which will help you to decide if you are liable to a Lifetime Allowance excess tax charge in the Registered Pension Schemes Manual, from page RPSM13102510.

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

Box 7 *Value of pension benefits in excess of your Available Lifetime Allowance, taken by you as a lump sum*

If in 2013–14:
- benefits deemed to have come from UK tax-relieved funds exceed your Available Lifetime Allowance, and
- those benefits were taken as a lump sum

enter the total excess amount of the lump sum or sums in box 7.

If you have a mixture of UK tax-relieved funds and other funds in an overseas pension scheme, payments from it are deemed to come first from the UK tax-relieved funds until they are reduced to nil. Payments can only give rise to any of these charges if they are deemed to have come from the UK tax-relieved funds. You can find more information about this at RPSM13102540.

The amount of your UK tax-relieved funds in an overseas pension scheme is the aggregate of your pension input amounts in it for each tax year from 2006–07. The way in which your annual pension input amount is calculated is explained in the note for box 10 on page 3 of this helpsheet, and the sections which follow it.

Do not include in box 7 tax-free lump sums paid with a pension which are payable within your Lifetime Allowance. Include the amount of any lump sums paid before you reached age 75 for serious ill-health which exceed the Lifetime Allowance, any lump sums expressly paid for being over the Lifetime Allowance and any amount deemed to have crystallised from UK tax relieved funds in 2013–14 in excess of your Available Lifetime Allowance, following the submission of an APSS 254. You can find information about deemed crystallisations at RPSM13102570.

Convert benefits into sterling using the 'spot rate' at the date of payment. You can find spot rates on the Bank of England's website or you may be able to get them from your bank.

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Box 8 *Value of pension benefits in excess of your Available Lifetime Allowance, not taken as a lump sum*

Enter in box 8 the total of:

- the benefits deemed to have come from UK tax-relieved funds in 2013–14, or any part of those benefits, in excess of your Available Lifetime Allowance that were not paid to you as a lump sum (normally this means the excess is used to provide you with pension income), and
- any amount transferred to a qualifying recognised overseas pension scheme deemed to have come from UK tax-relieved funds in 2013–14, or any part of that amount, in excess of your Available Lifetime Allowance.

Convert benefits and transferred amounts to sterling using the spot rate at the date of payment or transfer.

Box 9 *Lifetime Allowance tax paid by your pension scheme*

Ignore box 9 as it only applies to members of UK registered pension schemes. The manager of an overseas pension scheme will not pay tax to us.

Box 10 *Amount saved towards your pension, in the period covered by this tax return, in excess of the Annual Allowance*

Ignore box 10 if:

- your funds in an overseas pension scheme derive solely from UK transferred funds, or
- you are the personal representative of someone who died during 2013–14 and you are filling in this form on that person's behalf for the period up to the date of death.

If you have UK tax-relieved funds in an overseas pension scheme, you may be liable to an Annual Allowance excess tax charge.

Even if you have UK tax-relieved funds you can ignore box 10 if in 2013–14:

- your savings in overseas pension schemes have not increased by more than £50,000, and
- you have no rights in any UK registered pension scheme.

You are liable to a tax charge if the overall amount of the increase in your pension savings (your 'pension input amount') in overseas pension schemes and UK registered pension schemes in the 2013–14 tax year (the 'pension input period') was more than your Annual Allowance. The charge applies to the excess amount. (Members of UK registered pension schemes can find more information in Helpsheet 345 *Pension savings – tax charges on any excess over the Lifetime Allowance and the Annual Allowance, and on unauthorised payments*.)

If you have more than one arrangement in a scheme, your pension input amount in the scheme is the total of the pension input amounts in each of those arrangements. The way in which your pension input amount in an arrangement is calculated will depend on the nature of that arrangement. You can ignore the increase in your savings in a particular pension arrangement in a scheme if you took all of your benefits in 2013–14 for that arrangement on severe ill-health grounds. This means that you took benefits following a registered medical practitioner telling your pension scheme manager 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.

What is my Annual Allowance for 2013–14?

The Annual Allowance for tax year 2013–14 is £50,000.

The Annual Allowance excess tax charge will not apply to you for this tax year if the increase in your pension savings for pension input periods ending in 2013–14 does not exceed the £50,000 Annual Allowance.

You still might not have any Annual Allowance excess tax charge to pay if the increase in your pension savings is more than £50,000. You can carry forward any Annual Allowance that you have not used from the previous three tax years to 2013–14. 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 the increase in your pension savings is less than your available Annual Allowance, you will have no Annual Allowance excess tax charge to pay. If the increase in your pension savings is more than your available Annual Allowance, you will have to pay the Annual Allowance excess tax charge – but only on the amount of the increase 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 your overseas pension scheme but, in one particular year, have not made pension savings for that year, then you can carry forward unused Annual Allowance of £50,000 from that year. If, however, you have not been a member of your overseas pension scheme (or another overseas pension scheme for which you got UK tax relief for the year concerned) or a UK registered pension scheme in a particular year, then you will not have unused Annual Allowance to carry forward from that year.

You may be able to use the HMRC Annual Allowance calculator to calculate your carry forward. You can find this at hmrc.gov.uk/tools/pension-allowance/index.htm

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 excess tax charge is calculated by the formula.

TPIA *minus* RPIA	
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.

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So if you are using or have used flexible drawdown, any pension savings under:
- a 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.

The pension input amount varies depending on the type of arrangement. The following paragraphs explain how to calculate your pension input amount in:
- 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).

Money purchase arrangement

If you have a money purchase arrangement, your pension input amount in it is arrived at by adding together:
- the UK tax-relieved contributions you paid into it in 2013–14, and
- the fraction below of the total amount of contributions paid to it by your employer in 2013–14.

The fraction you have to apply is 'TE/EI'. EI is the total amount of your employment income from any employment with an employer that made contributions to the arrangement in 2013–14. TE is so much of EI as is UK taxable earnings.

How to calculate pension savings under a money purchase arrangement

If you know the date on which each contribution was made, then you should use the spot rate for that date of payment or add up each contribution and convert the total amount using the spot rate for:
- 6 April (that is, the spot rate at the start of 2013–14), or
- 5 April (that is, the spot rate at the end of 2013–14), or
- the average exchange rate over all of 2013–14.

The chosen method must be used on a consistent basis.

However, if you do not know the exact date on which each contribution was paid, you can use the same spot rate that you used to convert the salary on which the contribution was based. That salary may have been converted using the spot rate for the dates on which it was received or another method that HMRC has agreed in your particular case.

Example 1

During the UK tax year 2013-14, Michael is a member of an overseas pension scheme which is a money purchase scheme. Each month Michael has paid a contribution of 7% of his salary and his employer has paid a contribution of 8%.

To work out his pension input amount for 2013-14 he uses the spot rate for the dates on which his salary was received during the tax year. Using this, Michael's salary on which both his and his employer's contributions were based is £180,000.

Based on £180,000, Michael's pension contributions were £12,600 (£180,000 x 7%) and his employer's contributions were £14,400 (£180,000 x 8%).

Michael received UK tax relief on all of his contributions so the full amount of £12,600 is included as part of his pension input amount.

The fraction 'TE/EI' is applied to the employer contribution of £14,400 to determine how much of the employer contribution is included as part of Michael's pension input amount.

Michael has total employment income (EI) from his employment with his employer in that tax year of £180,000 (excluding the employer contribution). Of that income £150,000 is UK taxable earnings (TE).

The appropriate fraction (TE/EI) is applied to the employer contribution

£150,000/£180,000 x £14,400 = £12,000.

His pension input amount for this scheme is the total of Michael's UK tax relieved contributions (£12,600) and the appropriate fraction of his employer's contributions (£12,000) = £24,600.

Defined benefits arrangement

If you have a defined benefits arrangement your pension input amount is the capital value of the increase of your rights in 2013–14. That is calculated in two stages. You can ignore any increase in rights in an overseas pension scheme of which you were a deferred member for the whole of 2013–14, provided the increase was in line with a rate set out in the scheme rules on 14 October 2010 or otherwise the increase was in line with the increases in the Consumer Prices Index for a 12-month period ending in 2013–14 as chosen by your pension scheme manager.

First stage

Work out the increase in your pension rights under the arrangement in the 2013–14 tax year and convert it to a capital value. You can do this by taking the figure for the annual amount of promised pension immediately before the start of that year increased by the increase in the Consumer Prices Index, or a Relevant Prices Index, for the 12-month period to September 2012 (the opening value) away from the corresponding figure at the end of that year (the closing value), and by multiplying the resulting amount by 16.

Do not take into account:

- any pension increase or reduction due to a transfer into or out of the arrangement
- any pension increase or reduction due to a pension sharing order, or
- any reduction in your promised pension at the end of the year due to your having taken some or all of the benefits for that arrangement.

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Then, add to that figure any increase over the 2013–14 tax year in your rights to a separate lump sum in the arrangement, being a lump sum not paid for by giving up some of your pension rights. If your lump sum is not separate, do not add anything to the calculation of your pension rights on page 6.

The opening and closing value of your pension rights can be converted to the sterling equivalent by using:

- the spot rate at the start of 2013–14, or
- the spot rate at the end of 2013–14, or
- the average exchange rate over all of 2013–14.

The chosen method must be used on a consistent basis.

Second stage

The pension input amount is the greater of:

- the total amount of UK tax-relieved contributions paid by you or on your behalf (but not by an employer) to the arrangement in 2013–14, and
- the fraction below of the amount arrived at in the first stage.

The fraction you have to apply is TE/EI. EI is the total amount of your employment income from any employment with an employer that is sponsoring the scheme in 2013–14. TE is so much of EI as is UK taxable earnings.

How to calculate pension savings under a defined benefits arrangement

First stage

The amount of your pension savings under a defined benefits arrangement is the increase in the value of your promised benefits over 2013–14. This is the difference between the value of your benefits immediately before the start of 2013–14 (the opening value) and the value of your benefits at the end of 2013–14 (the closing value). The difference is found by taking away the opening value from 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 (that is, you do not have to exchange an amount of pension for the lump sum), 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 (or Relevant 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 Prices or Relevant Prices Index increase.)

How to find the closing value

The closing value is the notional 'capital' value of the expected benefits at the end of 2013–14 in the same way as you find your opening value, but missing out the final step. So:

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 (that is, you do not have to exchange an amount of pension for the lump sum), add the amount of the promised lump sum to the amount found after step 2.

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 2013–14

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 2013–14, before you work out the closing value.

If there has been a transfer out of the arrangement in 2013–14

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 2013–14 before you work out the closing value.

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If there has been a pension debit in 2013–14

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 2013–14, before working out the closing value.

If there has been a pension credit in 2013–14

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 2013–14, before working out the closing value.

If there has been a benefit crystallisation event during 2013–14

Add the benefit resulting from the benefit crystallisation event to your expected benefits at the end of 2013–14 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. 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.

Second stage

Find the pension input amount by establishing what is the greater of the amount of contributions paid by you or on your behalf (but not by an employer) to the arrangement in 2013–14 that received UK tax relief and the first stage amount after application of the TE/EI fraction.

Example 2

Jan is a member of a defined benefit overseas pension scheme. Immediately before the start of 2013-14 Jan's benefit entitlement under the scheme is an accrued pension of £40,000. At the end of 2013-14 Jan's accrued pension has increased to £45,000.

Jan's contributions to the pension scheme during the tax year that had UK tax relief were £40,000.

The total amount of Jan's employment income (EI) from the employments to which those benefits relate is £200,000. Jan's UK taxable earnings (TE) from these employments (excluding overseas income that is not chargeable to UK tax and his employer's contribution to the scheme) are £120,000.

First stage
First the pension input amount is worked out in the same way as for a UK registered pension scheme. This is the difference between the opening value and the closing value of his promised benefits.

Please note that Jan's promised benefits are likely to be expressed in the currency other than sterling, such as in the currency of the country in which the overseas pension scheme is established. Jan's accrued benefits at the start and end of 2013-14 can be converted to sterling by using the spot rate for the end of 2013-14 (5 April 2014).

Calculating the opening value
Jan's opening value is calculated as:

Find the amount of annual pension	£40,000
Multiply annual rate of pension by flat factor of 16 (£40,000 x 16)	£640,000
Add amount of separate lump sum - there is no separate lump sum so the running total is still £640,000	
Increase by the Consumer Prices Index or, if available, Relevant Prices Index (3% used for illustrative purposes). £640,000 x 1.03 A 3% increase brings the opening value to £659,200 Jan's opening value is £659,200	£659,200

Calculating the closing value
Jan's closing value is calculated as:

Find the amount of annual pension	£45,000
Multiply the annual rate of pension by the flat factor of 16 (£45,000 x 16)	£720,000
Add amount of separate lump sum - there is no separate lump sum so the running total is still £720,000 Jan's closing value is £720,000 The difference between the closing value and the opening value is: £60,800 (£720,000 *minus* £659,200).	

Second Stage

Working out the pension input amount using the fraction 'TE/EI'. The appropriate fraction (TE/EI) is applied to £60,800 £120,000/£200,000 x £60,800	£36,480
Working out the amount of Jan's contributions to the pension scheme that had UK tax relief in the tax year. Jan's UK tax relieved contributions amounted to £40,000.	

Working out the pension input amount
Jan's UK tax relieved contributions (£40,000) were greater than his adjusted first stage amount (£36,480). Therefore, Jan's pension input amount for 2013-14 is £40,000.

Contacts

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Cash balance arrangement

If you have a cash balance arrangement your pension input amount is also calculated in two stages. You can ignore any increase in rights in an overseas pension scheme of which you were a deferred member for the whole of 2013–14, provided the increase was in line with a rate set out in the scheme rules on 14 October 2010 or otherwise the increase was in line with the increases in the Consumer Prices Index for a 12-month period ending in 2013–14 as chosen by your pension scheme manager.

First stage

Work out any increase in 2013–14 in the promised amount that will be available for the provision of benefits by taking the promised amount immediately before the start of that year (the opening value) away from the corresponding figure at the end of that year (the closing value). The value of the promised amount at the start of 2013–14 should be increased by the Consumer Prices Index, or the Relevant Prices Index, for the 12-month period to September 2012.

Do not take into account:
- any pension increase or reduction due to a transfer into or out of the arrangement
- any pension increase or reduction due to a pension sharing order, or
- any reduction in your promised amount at the end of the year due to your having taken some or all of the benefits for that arrangement.

The opening and closing value of your promised amount can be converted to the sterling equivalent by using:
- the spot rate at the start of 2013–14, or
- the spot rate at the end of 2013–14, or
- the average exchange rate over all of 2013–14.

The chosen method must be used on a consistent basis.

Second stage

The pension input amount is the greater of:
- the total amount of UK tax-relieved contributions paid by you or on your behalf (but not by an employer) to the arrangement in 2013–14, and
- the fraction below of the amount arrived at in the first stage.

The fraction you have to apply is TE/EI. EI is the total amount of your employment income from any employment with an employer that is sponsoring the scheme in 2013–14. TE is so much of EI as is UK taxable earnings.

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 2013–14. This is the difference between the value of your promised pension fund immediately before the start of 2013–14 (the opening value) and the value of your promised pension fund at the end of 2013–14 (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, or Relevant Prices Index, to the September before the start of the tax year which you are calculating annual allowance for.

How to find your closing value

Your closing value is the amount of your promised pension fund at the end of 2013–14.

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 2013–14

Deduct the amount of the increase in your promised fund relating to the transfer from the closing value.

If there has been a transfer out of the arrangement in 2013–14

Add the amount of the reduction in your promised fund relating to the transfer to the closing value.

If there has been a pension debit in 2013–14

Add the amount of the reduction in your promised fund relating to the pension debit to the closing value.

If there has been a pension credit in 2013–14

Deduct the amount of the increase in your promised fund relating to the pension credit from the closing value.

If there has been a benefit crystallisation event during 2013–14

Add the amount of the reduction in your promised fund relating to the benefit crystallisation event to the closing value. 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.

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Example 3

Mark is a member of a cash balance overseas pension scheme. His pension promise is that his pension fund will be increased by 12% 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 2013-14. The annual increase in Consumer Prices Index to September 2012 is 2.2% (a Relevant Prices Index is not available in this case).

Mark's contributions to the pension scheme during the tax year that had UK tax relief were £3,500.

The total amount of Mark's employment income (EI) from the employments to which those benefits relate is £100,000. Mark's UK taxable earnings (TE) from these employments (excluding overseas income that is not chargeable to UK tax and his employer's contribution to the scheme) are £70,000.

First stage

Immediately before the start of 2013-14, Mark's fund stands at £56,000. This amount is increased by 2.2% to £57,232. This is Mark's opening value.

Mark's pay for the year was £100,000, 12% of which is £12,000. This is more than the promised minimum increase to his pension fund, so £12,000 was added to Mark's promised funds. This brings Mark's closing value to £68,000.

The difference between Mark's opening value and his closing value is:
£10,768 (£68,000 minus £57,232).

Second stage

Step 1

Working out the pension input amount using the fraction 'TE/EI'
The appropriate fraction (TE/EI) is applied to £10,768

£70,000/£100,000 x £10,768 = £7,537.60.

Step 2

Working out the amount of Mark's contributions to the pension scheme that had UK tax relief in the tax year.

Mark's UK tax relieved contributions amounted to £3,500.

Step 3

Working out the pension input amount.

Mark's UK tax relieved contributions (£3,500) were less than his adjusted first stage amount (£7,537.60). Therefore, Mark's pension input amount for 2013-14 is £7,537.60.

Hybrid arrangement

Use the relevant method set out above to calculate the amount for each of the different types of arrangement that applies to you. Your pension input amount in the hybrid arrangement is the greater, or greatest, of those amounts.

What is the 'Relevant Prices Index'?

You can use an overseas equivalent to the Consumer Prices Index provided that alternative index in the movement of consumer prices is maintained, or officially recognised, by the government of the country or territory in which your overseas pension scheme is established. If there is no such equivalent index you should use the Consumer Prices Index instead.

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.

For 2013–14, to see if you have any Annual Allowance charge, you need to take the following steps.

Step 1

Work out how much your pension saving is for 2013–14.

Step 2

Is the increase in 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 one of the last three tax years was before 2011–12.

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 the increase in your pension savings for 2013–14?

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 the increase in your pension savings exceeds 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 savings that is more than your available Annual Allowance.

Contacts

Please phone:

- the number printed on page TR 1 of your tax return
- the SA Helpline on **0300 200 3310**
- the SA Orderline on **0300 200 3610** for helpsheets

or go to **hmrc.gov.uk/sa**

Example 4

Jim's total pension savings for pension input periods ending in 2013-14 are £65,000 and his pension savings in the previous three tax years were:

2012-13 - £35,000

2011-12 - £30,000

2010-11 - £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:

2012-13 - £15,000

2011-12 - £20,000

2010-11 - £25,000

£60,000

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

Together with the £50,000 Annual Allowance for 2013-14 Jim can have pension savings of £110,000 without the Annual Allowance charge being due.

As Jim's pension savings for 2013-14 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 2013-14 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.

Valuing pension inputs made before 6 April 2011

The amount of Annual Allowance for tax years 2011–12, 2012–13 and 2013–14 is lower than the Annual Allowance for tax years before 2011–12. Because of this there are special rules for working out how much unused Annual Allowance can be carried forward from 2010–11.

To work out how much unused Annual Allowance can be carried forward to 2013–14.

- The Annual Allowance for 2011–12 and 2012–13 is £50,000 and the Annual Allowance for 2010–11 is deemed to be £50,000. If, for example, your pension savings for one of those tax years was £20,000 you could have £30,000 unused Annual Allowance to carry forward. If your pension savings was £50,000 or more in a tax year you would not have any Annual Allowance left to carry forward from that year. If you have unused Annual Allowance from 2010–11 and/or 2011–12, any part of that amount you have already used for carry forward purposes in relation to 2011–12 and/or 2012–13 cannot be carried forward to 2013–14.
- 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, or the Relevant Prices Index, to work out how much your pension saving is.

If you have been a member of the overseas pension scheme for any of the previous three tax years, you can carry forward unused Annual Allowance from those earlier years. The basis on which the unused Annual Allowance is calculated depends on whether the Annual Allowance rules applied to you in those earlier years. That is, did you qualify for UK tax relief in those years?

For a year in which the Annual Allowance rules apply, you can carry forward unused Annual Allowance but remember the way your pension input amount is calculated for that tax year is modified by the application of the 'TE/EI' fraction.

If you had been a member of the scheme for any of the previous three tax years but the Annual Allowance rules did not apply to you for any year (that is, you did not qualify for UK tax relief for that year) you can still carry forward unused Annual Allowance. However, for the tax year in question, you do not apply the 'TE/EI' fraction to your pension input amount.

You may not be able to carry forward unused Annual Allowance from one or more of the previous three tax years if you were not a member of your current overseas pension scheme during any part of that earlier tax year, for example, because you were in a different pension scheme with your current employer or you were in a pension scheme with another employer.

If you were in a different pension scheme in an earlier tax year you will be able to carry forward only if that other pension scheme was either a UK registered pension scheme or was, itself, an overseas pension scheme because you got UK tax relief for the year concerned for that scheme.

The method of working out if you have to pay an Annual Allowance excess tax charge, and how much, for 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 45%, 40% or 20% 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 have 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 excess pension savings (from step 2):

- over your higher rate limit will be taxed at 45%
- over your basic rate limit but below your higher rate limit will be taxed at 40%
- below your basic rate limit will be taxed at 20%.

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 – read 'What is reduced net income?' on page 18), the excess is chargeable at 45%.

Contacts

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Step 5

From the amount of your excess pension savings (step 2) deduct the amount brought into charge at 45% 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%. Otherwise the amount chargeable at 40% 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%.

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

Example 5

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

Step 3
Frances' excess pension savings 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 saving is chargeable at 45%.

Step 5
The amount of Frances' excess pension saving 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%.

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

Frances' tax charge is calculated as:

£20,000 x 45% = £9,000

£10,000 x 40% = £4,000

£0 x 20% = £0

Frances' Annual Allowance excess tax charge is £13,000.

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 Section 23 Income Tax Act (ITA) 2007. This is after you have:

- identified your total income
- deducted the reliefs (allowed for under Section 24 ITA 2007)
- deducted any personal tax allowance that 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. 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 45% 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.

For more details about the Annual Allowance excess tax charge, please read the Registered Pension Schemes Manual, from page RPSM13102310.

Box 10 *Amount saved towards your pension, in the period covered by this tax return, in excess of the Annual Allowance*

If your total pension input amount in overseas pension schemes in 2013–14 exceeds your available Annual Allowance, enter the excess amount in box 10. You can convert the pension input amount to sterling by using the spot rate for 5 April 2014.

Paying the Annual Allowance excess tax charge from your pension savings in your overseas pension scheme

You are liable to the Annual Allowance excess tax charge if your pension savings is more than the total of the Annual Allowance for 2013–14 plus any unused Annual Allowance you can carry forward from the three previous tax years.

However, you may be able to ask the scheme manager of your overseas 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 benefits in that scheme.

Box 11 *Annual Allowance tax paid or payable by your pension scheme*

Enter the amount of your Annual Allowance excess tax charge for 2013–14 that has or will be paid by the scheme manager of your overseas pension scheme. Where more than one pension scheme has paid such a tax charge, enter the total. If you put an amount in box 11, remember to put your excess amount in box 10 as well.

Contacts

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Box 12 *Pension scheme tax reference number*

If your overseas pension scheme is paying an amount of your Annual Allowance excess tax charge you will not have a Pension Scheme Tax Reference (PSTR) number for that pension scheme. Instead put the name and address of the scheme manager of the overseas pension scheme in box 21 on page Ai 4 of the *Additional information* pages.

Boxes 13 to 16 *Unauthorised payments charge and surcharge and short service refund charge*

You can ignore boxes 13 to 16 if you were not UK resident in 2013–14 or in any of the previous five tax years.

You may be liable to any of these charges if you have UK tax-relieved funds or UK transferred funds in an overseas pension scheme.

You may have in an overseas pension scheme a mixture of:

- UK tax-relieved funds
- UK transferred funds, and
- other funds.

If so, payments from the scheme are deemed to come first from the UK tax-relieved funds and the UK transferred funds until both of those funds are reduced to nil. Payments can only give rise to any of these charges if they are deemed to have come from the UK tax-relieved funds or the UK transferred funds. You can find more information about that in the Registered Pension Schemes Manual, from page RPSM13102190.

The amount of your UK tax-relieved funds in an overseas pension scheme is the aggregate of your pension input amounts in it for each tax year from 2006–07. The way in which your annual pension input amount is calculated is explained in the note for box 10 on pages 3 to 13 of this helpsheet.

Boxes 13 and 14 *Unauthorised payments charge and surcharge*

Unauthorised payments are payments by overseas pension schemes from the UK tax-relieved funds or the UK transferred funds which are made either to you or for you and which:

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

'Payments' need not necessarily be monetary amounts but may include, for example, a transfer of assets.

You can find more information about whether or not a payment is unauthorised and on how to value payments in the Registered Pension Schemes Manual, from page RPSM04104010.

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% of the value of the unauthorised payment. This is called the unauthorised payments charge.

Unauthorised payments surcharge

An unauthorised payment surcharge applies where the amount of the unauthorised payments made to, or for, you in a 'surcharge period' (see below) reaches a set 'surcharge threshold'. This is where the amount of the unauthorised payments from an overseas pension scheme reaches 25% of the total value of your rights from your UK tax-relieved funds and UK transferred funds under that scheme. The surcharge is an Income Tax charge of 15% of the value of the unauthorised payment, and is on top of the 40% unauthorised payments charge.

Unauthorised payments surcharge period

A surcharge period starts on the date that the first unauthorised payment was made to, 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 you or for you from your UK tax-relieved funds and UK transferred funds in a particular scheme are less than 25% of the value of rights from those funds, there is no unauthorised payments surcharge.

For more details about the unauthorised payments charge and the unauthorised payments surcharge, please read the Registered Pension Schemes Manual, from page RPSM13102110.

Box 13 *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 13. But read the note on 'Unauthorised payment not subject to surcharge when paid which later becomes subject to surcharge' below. You can convert the payment into sterling using the spot rate for the date of payment.

Box 14 *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 14. But read the note below. You can convert the payment into sterling using the spot rate for the date of payment.

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

If an unauthorised payment was paid to 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 or for you in this tax year. That is because the additional payment means that 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 2012–13.

Contacts

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or go to **hmrc.gov.uk/sa**

Box 15 *Foreign tax paid on an unauthorised payment (in £ sterling)*

As the unauthorised payments charge and surcharge are not charges on income, they are not exempted by any of the UK's Double Taxation Agreements. However, if a payment gives rise to a charge, (and a surcharge) you can receive credit for foreign tax paid on the payment that can be set against the charge (and the surcharge).

Enter in box 15 the sterling equivalent of the amount of any foreign tax that you have paid on a payment entered in box 13 or box 14. You can convert the amount into sterling using the spot rate for the date of the tax payment.

If, after you have submitted this tax return, you pay foreign tax for a payment entered in box 13 or box 14 on which you have paid an unauthorised payments charge (and a surcharge), you can then make a claim for an appropriate adjustment to be made in your liability to UK tax. If you are not sure what to do you can ask us about this.

Box 16 *Taxable short service refund of contributions (overseas pension schemes only)*

If you have not received any lump sum payments from overseas pension schemes during 2013–14, do not fill in box 16.

If you left pensionable service in an overseas pension scheme, and received in 2013–14 a refund of UK tax-relieved contributions that you made to that scheme, you are liable to a tax charge on that refund.

The amount of tax due on a refund is:

- 20% on the first £20,000, and
- 50% on any amount over £20,000.

You can find more information about short service refunds and liability to tax on them in the Registered Pension Schemes Manual, from pages RPSM04101090 and RPSM13102110.

Enter the amount of your refund of UK tax-relieved contributions at box 16. You can convert the refund into sterling using the spot rate for the date of payment.

Box 17 *Taxable lump sum payment (overseas pension schemes only)*

You need to make an entry in box 17 if in 2013–14 you have received a payment from an overseas pension scheme that qualifies as a serious ill-health lump sum (read the conditions below). You are liable to a tax charge at the rate of 55% if you have reached the age of 75 when the lump sum is paid.

Conditions

A lump sum that you received in 2013–14 from an overseas pension scheme may be a serious ill-health lump sum if:

- it is paid after the scheme received evidence from a registered medical practitioner that you are expected to live for less than one year (read the Registered Pension Schemes Manual, from page RPSM09104610)
- it extinguishes your entitlement to benefits under the scheme
- you have not previously crystallised benefits under the scheme
- you have Available Lifetime Allowance when the lump sum is paid (read the note for boxes 7 to 9 starting on page 2 of this helpsheet, and in the Registered Pension Schemes Manual, from page RPSM11100000).

For the avoidance of doubt, if you are paid a serious ill-health lump sum before you have reached the age of 75, it remains not liable to

Income Tax, but the amount of the lump sum counts towards your Available Lifetime Allowance.

For more details about serious ill-health lump sums, please read the Registered Pension Schemes Manual, from page RPSM09104600, go to **hmrc.gov.uk/manuals/rpsmmanual/rpsm09104600.htm**

You may also need to make an entry in box 17 if after the death of a member of an overseas pension scheme, you have received in 2013–14 from the deceased member's UK tax-relieved funds or UK transferred funds any of the following lump sum payments:

- a pension protection lump sum death benefit
- an annuity protection lump sum death benefit
- a drawdown pension fund lump sum death benefit (this was previously known as an unsecured pension fund lump sum death benefit)
- a defined benefits lump sum death benefit where the member had reached age 75 at the date of their death
- an uncrystallised funds lump sum death benefit where the member had reached age 75 at the date of their death.

You can find more information about those lump sum death benefits in the Registered Pension Schemes Manual, from page RPSM04101110.

If the deceased member had a mixture of UK tax-relieved funds, UK transferred funds and other funds in an overseas pension scheme, payments from it are deemed to come first from the UK tax-relieved funds and the UK transferred funds until they are reduced to nil. Such payments can only give rise to a charge if they are deemed to have come from those funds. You can find more information about this in the Registered Pension Schemes Manual, from page RPSM13102190, go to **hmrc.gov.uk/manuals/rpsmmanual/rpsm13102190.htm**

You can ignore box 17 if the deceased member was not UK resident in 2013–14 or in any of the previous five tax years.

The tax charge is at the rate of 35% on the amount of the benefit payment if the payment is made in 2013–14 for a member who died before 6 April 2012, and at the rate of 55% where the member died on or after that date.

Enter the amount of the benefit received at box 17. You can convert that amount into sterling using the spot rate for the date of payment.

Box 18 *Foreign tax paid (in £ sterling) on boxes 16 and 17*

As the tax charges on short service refunds of contributions, serious ill-health lump sums paid after reaching age 75 and lump sum death benefit payments are not charges on income, they are not exempted by any of the UK's Double Taxation Agreements. If a payment gives rise to such a charge, however, you can receive credit for foreign tax paid on the payment that can be set against the charge.

If you have paid foreign tax on any payments that you have entered in box 16 and/or box 17, enter the sterling equivalent of the tax paid in box 18. Add the amounts together where foreign tax has been paid on more than one type of payment. Convert the foreign tax paid into sterling at the rate of exchange prevailing on the date of each tax payment.

If, after you have submitted this tax return, you pay foreign tax for a payment entered in box 16 or 17 on which you have paid such a UK tax charge, you can then make a claim for an appropriate adjustment to be made in your liability to UK tax. If you are not sure what to do, you can ask us about this.

Contacts

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Trivial commutation and winding-up lump sums

If in 2013–14 you have received a payment from an overseas pension scheme that qualifies as a trivial commutation lump sum or a winding-up lump sum (read the conditions below), you are liable to an Income Tax charge on the lump sum. If you have not previously received or become entitled to any benefits from the scheme, then 75% of the lump sum is taxable. If you have previously received a pension, or become entitled to any other benefits from the scheme, then:
- all of that part of the lump sum that is extinguishing your rights to the pension, or any other benefits, that you are already drawing is taxable, and
- 75% of the remaining part of the lump sum – the part which relates to rights that had not yet come into payment – is taxable.

You should include the amount that is taxable in box 16 'Other taxable income' on page TR 3 of your tax return. Do not include the amount in any of the boxes above.

Conditions

A lump sum that you received in 2013–14 from an overseas pension scheme may be a trivial commutation lump sum if:
- it does not exceed £18,000
- it was paid after you reached age 60
- it extinguishes your entitlement to benefits under the scheme
- the value of your benefit entitlement under all overseas pension schemes (and any UK registered pension scheme) on the date nominated for valuation purposes (read the Registered Pension Schemes Manual, from page RPSM09104950) before the lump sum was paid, did not exceed £18,000
- you have Available Lifetime Allowance when the lump sum is paid (read the note for boxes 7 to 9 starting on page 2 of this helpsheet, and in the Registered Pension Schemes Manual, from page RPSM11100000), and
- you have not previously been paid a trivial commutation lump sum from an overseas pension scheme (or any UK registered pension scheme), after 5 April 2006, or if such a payment was made it was within 12 months of this payment and the rights underlying that payment were included in the valuation on the 'nominated date'.

For the avoidance of doubt, if all of the other conditions are met but you have received a lump sum of more than £18,000, then none of the lump sum counts as a trivial commutation lump sum. The whole of the lump sum is an unauthorised payment (read the note for boxes 13 and 14 on page 19 of this helpsheet).

Up to £18,000 of a lump sum that you have received in 2013–14 from an overseas pension scheme that is being wound up may be a winding-up lump sum if:
- it extinguishes your entitlement to benefits under the scheme
- the scheme is an occupational pension scheme
- you have Available Lifetime Allowance (read the note for boxes 7 to 9 starting on page 2 of this helpsheet, and in the Registered Pension Schemes Manual, from page RPSM11100000), and
- an employer which has made contributions for you to the scheme in the last five years is not making contributions for you under any other pension scheme (or UK registered pension scheme), and has undertaken not to make such contributions for one year after the lump sum is paid.

If you have received a lump sum of more than £18,000 and all of these conditions are met, then £18,000 of the lump sum paid will be a winding-up lump sum. But the remaining part of the lump sum is an unauthorised payment (read the note for boxes 13 and 14 on page 19 of this helpsheet).

For more details about trivial commutation lump sums and winding-up lump sums, please read the Registered Pension Schemes Manual, from page RPSM09104900, go to **hmrc.gov.uk/manuals/rpsmmanual/rpsm09104900.htm** and from page RPSM09105100, go to **hmrc.gov.uk/manuals/rpsmmanual/rpsm09105100.htm**

Flexible drawdown during a period of 'temporary' non-residence

For more details about flexible drawdown, please read the Registered Pension Schemes Manual, from page RPSM09103600 to page RPSM09103650.

From 6 April 2011, if you held pension savings held in a money purchase arrangement (other than a cash balance arrangement) in either a registered pension scheme or an overseas pension scheme (where the funds concerned have benefited from UK tax relief), you are able to withdraw those savings in their entirety as 'flexible drawdown' pension income subject to meeting certain conditions.

If, during a period of temporary non-residence, you take flexible drawdown from either a UK registered pension scheme or from an overseas pension scheme that is not a registered pension scheme to the extent that the payment is referable to the individual's tax-relieved fund under the overseas scheme, then the amount taken as flexible drawdown is treated as taxable pension income arising in the tax year in which you resume residence in the UK.

Temporary non-residence broadly occurs if you left the UK to take up residence abroad, later resume UK residence and:

- were solely tax resident in the UK for any part of at least four out of the seven tax years immediately preceding your year of departure, and
- were not solely resident in the UK for a period of less than five full tax years.

Nothing in any double taxation relief arrangements between the UK and the country or territory in which you were resident at the time is to be read as preventing you from being chargeable to Income Tax. However, you will be given a credit for any overseas tax that is charged in respect of a flexible drawdown payment.

For more detail on the operation of the tax charge and what counts as 'temporary' non-residence, read the Employment Income Manual pages EIM74050 to EIM74060, go to **hmrc.gov.uk/manuals/eimanual/index.htm**

Where flexible drawdown during a period of temporary non-residence was taken from a registered pension scheme, you should include the amount(s) taken in box 10 of the pension section on the main Self Assessment tax return. Where it was taken from an overseas pension scheme you should include the amount(s) taken in boxes for 'overseas pensions' on page F 2 of the *Foreign* pages.

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 of 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 this Working Sheet refer to the boxes on page Ai 4 of the *Additional information* pages. If any box in this Working Sheet is negative, substitute zero.

Lifetime Allowance charge			
Excess taken as lump sum		from box 7 on Ai 4 **1**	box 1 x 55% **2**
Excess taken as pension		from box 8 on Ai 4 **3**	box 3 x 25% **4**
Lifetime Allowance charge			box 2 + box 4 **5**
Tax paid		from box 9 on Ai 4 **6**	lower of box 5 and box 6 **7**
Lifetime Allowance charge due			box 5 minus box 7 **8**
Annual Allowance charge			
Amount in excess of £50,000		from box 10 on Ai 4 **9**	
Basic rate band	A109 + A111 **10**		
Taxable income	from A104 **11**		
Unused basic rate band	box 10 minus box 11 **12**	lower of box 9 and box 12 **13**	box 13 x 20% **14**
	box 11 minus box 10 **15**	box 9 minus box 13 **16**	
Higher rate band	**17** **£117,990**		
Unused higher rate band	box 17 minus box 15 **18**	lower of box 16 and box 18 **19**	box 19 x 40% **20**
		box 16 minus box 19 **21**	box 21 x 45% **22**
Total Annual Allowance charge			box 14 + box 20 + box 22 **23**
Tax paid by the pension scheme		from box 11 on Ai 4 **24**	lower of box 23 and box 24 **25**
Annual Allowance charge due			box 23 minus box 25 **26**
Unauthorised payments			
'Not subject to surcharge' amount		from box 13 on Ai 4 **27**	box 27 x 40% **28**
'Subject to surcharge' amount		from box 14 on Ai 4 **29**	box 29 x 55% **30**
Unauthorised payment charge and surcharge			box 28 + box 30 **31**

Working Sheet – total pension savings charges *continued*

Foreign tax deducted	from box 15 on Ai 4 **32**	lower of box 31 and box 32 **33**
Unauthorised payment charge and surcharge due		box 31 minus box 33 **34**

(Overseas) short service refund charge

Taxable short service refund of contributions	from box 16 on Ai 4 **35**	
	36 £20,000	
	lower of box 35 and box 36 **37**	box 37 x 20% **38**
	box 35 minus box 37 **39**	box 39 x 50% **40**
Short service refund charge		box 38 + box 40 **41**

(Overseas) taxable lump sum charge

Taxable lump sum payment	from box 17 on Ai 4 **42**	box 42 x 55% **43**
Total short service refund and taxable lump sum charge		box 41 + box 43 **44**
Foreign tax deducted	from box 18 on Ai 4 **45**	lower of 44 and box 45 **46**
Short service refund and taxable lump sum charge due		box 44 minus box 46 **47**
Total pension charge		box 8 + box 26 + box 34 + box 47 **48**

Copy box 48 to box 6 on the *Tax calculation summary* pages