

Pensions & Compensation Policy Instruction

**The Armed
Forces Pension
Schemes**

PCPI 06/14

2014

Reference: CDP Remuneration – AFPS 75 & AFPS 05 – Gallantry Awards

Annuity and Additional Pension for Holders of Gallantry Awards

Which schemes are affected:	AFPS 75 , AFPS 05 and AFPS 15 (from 1 April 2015)
Who should read this:	Veterans UK MOD Authority and Veterans UK Pensions Administrators (CSC)
Date of Issue	3 July 2015
When it takes effect:	Immediately
Review date:	3 July 2016
Contact points:	CDP REM AFPS 75 Pol 4 - 9621 87573

INTRODUCTION / ISSUE

1. The rules governing entitlement to the award of an annuity and/or additional pension for holders of Gallantry Awards.

POLICY INTENT

2. The policy has not been amended and no changes are planned. Annex A is a re-statement of the current policy set out in the Army Pension Warrant 1977 (Amendment 40) and the Royal Warrant 2010 and includes points of clarification where required, for example, regarding the taxation of awards.

RISK

3. Compliance with this instruction reduces the potential risk of entitlements being applied incorrectly. It is also intended to ensure that the tax position is understood.

COMMUNICATIONS

4. The Annex to this PCPI will be published in JSP 764 and other scheme JSPs in due course and on the Defence intranet. The primary audience for this PCPI is Veterans UK. The content has a limited audience elsewhere concerning entitlements; a copy will be provided to HMRC.

ACTION REQUIRED

5. Veterans UK are already applying these rules. No immediate action or change is required by Veterans UK.

Attachment:

Annex A. Annuity and Additional Pension for Holders of Gallantry Awards

Distribution:

CDP Remuneration: AF Pensions AHd

Pay Colonels

Navy Pers-PPA SO1

Army PersSvcS-PS10-AD

Air-COSPers-Pol PayAllces DACOS

Veterans UK - MOD Authority:

DBSVets-Pensions-AH

DBSVets-Pensions C1

DBSVets-Pensions C2-1

DBSVets-Pensions C2-2

DBSVets-Pensions C2-3

DBSVets OPPT C1-2

DBSVets OPPT D-23

HMRC - Customer Relation Manager

Annuity and Additional Pension for Holders of Gallantry Awards

Chapter 1 - Annuity- Victoria Cross and George Cross

Chapter 2 - Additional Pension - for Gallant Conduct

Chapter 3 - Income Tax and National Insurance (Annuity and Additional Pension)

Chapter 1- Annuity - Victoria Cross and George Cross

Introduction

0101 The Victoria Cross is awarded to military personnel for gallantry in the presence of the enemy.

0102 The George Cross is awarded to military personnel for those acts for which military honours would not normally be granted, such as acts of gallantry not in presence of the enemy (civilians can be awarded the George Cross, the award and annuity are dealt with by the Cabinet Office).

Eligibility and Criteria

0103 All Service personnel (including Reserve personnel), irrespective of rank, and pension scheme who have been awarded a Victoria Cross or George Cross are entitled to an annuity for life

0104 Criteria. The eligibility criteria for receipt of a payment of an annuity award are –

- a. that the Award was bestowed in recognition of deeds committed while serving in the Regular or Reserve Armed Forces; and
- b. such further criteria as may be determined by the Defence Council and set out in this publication, amended from time to time, as the Defence Council considers necessary.

Conditions of Payment

0105 The Annuity award for Victoria Cross and George Cross holders is-

- a. An annuity of £2129 (wef 07/04/2014). This sum is increased each year in line with other pension increases (currently increased by CPI).
- b. The annuity is paid annually in arrears on the anniversary of the act of bravery for which the recipient is honoured.
- c. The annuity is paid for life, however, if an individual who is in receipt of the VC/GC dies before the annuity is payable for that year, nothing is payable for that year.
- d. If a person receives both the Victoria Cross and the George Cross, they are entitled to an annuity for each.

Payment of VC/GC Annuity to Other Nationalities

0106 The Ministry of Defence (UK Government) accepts responsibility to pay annuities to holders of the VC/GC who served in the UK Armed Forces whose acts of bravery as members of the UK Armed Forces gave rise to the award, including Gurkhas and Gurkha widows who are paid under special arrangements.

0107 Holders of the award who served with the Armed Forces of India, Pakistan, Australia, New Zealand, Canada, and South Africa are paid the annuity by their own Government.

Chapter 2 Additional Pension - for Gallant Conduct

Eligibility

0201 An additional pension of £0.025 per day or such greater amount as the Secretary of State may think appropriate, may be paid to those in receipt of a pension (this applies to all Armed Forces Pension Schemes), if -

- a. The pensioner member (members whose pension is in payment) is a holder of the Victoria Cross, and when he/she received that decoration they were not an officer; or
- b. The pensioner member (member whose pension is in payment) was awarded any of the awards specified in paragraph 0201(c) before 7 September 1993-
- c. The other awards are—
 - i. the George Cross (other ranks only),
 - ii. the Military Cross (other ranks only),
 - iii. the Distinguished Flying Cross,
 - iv. the Distinguished Conduct Medal,
 - v. the Conspicuous Gallantry Medal (Naval),
 - vi. the Conspicuous Gallantry Medal (Flying),
 - vii. the Distinguished Service Medal,
 - viii. the Military Medal, or
 - ix. the Distinguished Flying Medal.

0202 Those awarded any of the medals specified in 0201(c) on or after 7 September 1993 are not entitled to receive the additional pension.

Conditions of Payment

0203 The additional pension for gallant conduct is -

- a. Paid annually (as a gratuity) at £9.10 (£9.12 in leap years), and
- b. Once in payment it is increased annually by the Consumer Price Index rate of inflation (CPI is 2.7% for 2014/15).

Chapter 3 Income Tax and National Insurance (Annuity and Additional Pension)

0301 The annuity for VC and GC and the additional pensions that are paid to holders of named Gallantry awards for valour are exempt from tax under Section 638 ITEPA 2003 and EIM74307 - Pensions: particular occupations: armed forces: awards for bravery.

0302 Tax exemption applies only to the annuity and additional pension. The Armed Forces Pension remains liable for UK Tax, unless other reasons award a tax free pension such as an attributable ill health award.