

Armed Forces Pension Scheme

Pension Savings Tax Changes and the 2015 Pension remedy - Overview



Content

- 1. Pensions Savings tax and the latest changes
- 2. Pensions Savings tax and the 2015 Pension Remedy
- 3. Supporting guidance

Pension Savings Tax 2023/2024 Changes

Pension Savings Tax – Annual Allowance - Changes

Annual Allowance

Is the maximum amount of tax free growth an individual can build up in their pension over one tax year.

Tax Year	2022/23	2023/24
Annual Allowance	£40,000	£60,000
Threshold Income Limit	£200,000	£200,000
Adjusted Income Limit	£240,000	£260,000
Minimum Tapered Annual Allowance	£4000	£10,000
Carry Forward	3 previous tax years	3 previous tax years
Legacy Scheme Negative PIAs	Zeroised	Offset against growth in AFPS 15

Pension Savings Tax – Lifetime Allowance - Changes

Lifetime Allowance

The Lifetime Allowance is the maximum amount of pension savings that a person can build up over their life from all registered pension schemes before incurring a tax charge

The charge will be abolished on 6
April 2024 but replaced by new Lump
Sum Allowances.

Additional detail is available via HMRC – see further information.

Tax Year	2022/23	2023/24
Lifetime Allowance	£1,073,100	£1,073,100
Lifetime Allowance Tax Charge	55% of excess on lump sum 25% of excess on income	Nil
Tax Free Lump Sum	25% of the Lifetime Allowance	Fixed cumulative limit of £268,275 or, 25% of protected lifetime allowance or, 25% of previously used lifetime allowance (where a charge was paid prior to 6 April 24)

Pension Savings Tax – Points for AFPS Members

Annual Allowance has increased to £60,000 but some members will still be affected.

Those who are most likely to be affected by the Annual Allowance are:

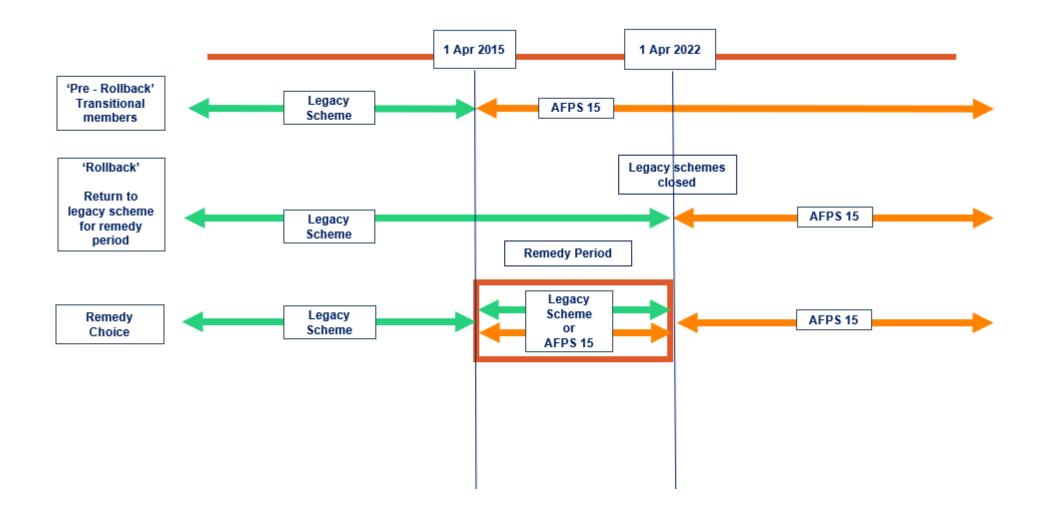
- Those with AFPS 15 benefits and pensionable earnings above £150,000.
- Those with AFPS 75/05 accrued benefits and receive increases in pay significantly above inflation
- The process for tax year 2023/24 is not affected by the 2015 Pension Remedy

The Lifetime Allowance Charge has been abolished but a new lump sum allowance exists. Those who have previously paid a Lifetime Allowance tax Charge or taken a Pension Commencement Lump Sum from legacy schemes should take advice on this new allowance ahead of drawing any lump sum benefit from AFPS 15 if they believe they are near the maximum limit.



Pension Savings Tax The 2015 Pension Remedy

2015 Pension Remedy Overview



Pension Savings Tax Interaction with 2015 Pension Remedy

HMRC have introduced a new Tax Administration Framework for the period 6 April 2015 to 5 April 2023 for those eligible for the 2015 Pension Remedy.

Any Armed Forces Pension Scheme member who paid an AA tax charge, either directly or through scheme pays, for any tax years between 6 April 2015 and 5 April 2022 must use the Tax Administration Framework.

The process works slightly differently for immediate and deferred choice members, but both groups will only need to use the tax adjustment tool once for AA purposes.

The Tax Administration Framework is also to be used by anyone who exceeded the AA in Tax Year 2022/23 and receives a deferred Pension Savings Statement.

It will also be used by those who have a pension in payment and have paid a Lifetime Allowance Tax Charge.



Tax Adjustment – Immediate Choice

An immediate choice member, someone who left on or before 30 September 2023 with pension benefits in payment, cannot adjust their tax position until **after** they have made a remedy choice.

Once the remedy choice is made a remediable PSS will, if required, be provided within six months of making this choice, or within six months following the end of their election period, whichever is the earlier.

This PSS will allow them to use the public service pension adjustment tool to correct their pension savings tax position.

Broadly, the effect for immediate choice members is as follows:

- Protected member chooses legacy: no change to tax position, no further information required.
- Protected member chooses AFPS 15: no additional tax liability but may be owed compensation/refund if AFPS 15 PIA lower in retirement year. Remediable PSS will be issued.
- Unprotected member chooses legacy: PIA recalculated on legacy benefits, potential for either tax liability or compensation/refund. Remediable PSS issued.
- Unprotected member chooses AFPS 15: no additional tax liability, but if PIA lower on legacy potential compensation/refund. Remediable PSS issued.



Tax Adjustment – Deferred Choice

A deferred choice member, someone who leaves with pension benefits in payment any time after 1 October 2023, can make their remedy choice before they correct their tax position.

A remedy choice will not result in an additional AA tax liability. The benefits that have accrued during the remedy period are classed as legacy scheme benefits and the PIA for the remedy period is calculated on that basis.

These members will all be provided with a remediable PSS by 6 October 2024 to use the public service pension adjustment tool.

Broadly, the effect for deferred choice members is as follows

- Protected member chooses legacy: no change to tax position.
- Protected member chooses AFPS 15: no additional tax liability.
- Unprotected member chooses legacy: no change to tax position.
- Unprotected member chooses AFPS 15: no additional tax liability.

For all deferred choice members, as is currently the case, a pension input amount is calculated for the year benefits are taken. If that amount exceeds the AA then a PSS would be issued.

For remedy members, the pension opening value for this calculation will be made using legacy benefits. The closing value will also be made using legacy benefits, unless AFPS 15 benefits have been chosen, in which case the closing value will be the lower of the value of the legacy scheme rights and AFPS 15 scheme rights.



If affected - What next?

Deferred Choice members will be sent a PSS by 6 October 2024.

Immediate Choice members will be sent a PSS within 6 months after they have made their remedy choice, or within 6 months of their election period ending.

Do not use the tax adjustment tool until you have received your PSS.

Your PSS will contain all the information you require and user guides will be published to assist you.

The adjustment tool will determine your outcome and, via your government gateway account, HMRC will send this information securely to DBS



Pension Savings Tax Further Information

Pension Savings Tax – Further Information

Available on MODNET

DIN: 2024DIN 01-008

Available on Armed Forces Pension pages on gov.uk

- Pension Remedy Tax Booklet
- Annual Allowance and 2015 Pension Remedy Newsletter
- Your 2015 Pension Remedy Explained Booklet

Available on gov.uk

- https://www.gov.uk/guidance/changes-in-your-annual-allowance-following-the-public-service-pensions-remedy
- https://www.gov.uk/government/publications/lifetime-allowance-guidance-newsletter-december-2023

14



Contact Details

Defence Business Services Armed Forces Pension Scheme Mail Point 484 Kentigern House 65 Brown Street Glasgow, G2 8EX

Website (www): https://www.gov.uk/government/organisations/veterans-uk

Email Address: DBS-JPAC@dbspv.mod.uk

Tel (Civ): 0800 085 3600

Tel (Mil): 94560 3600 Tel (from overseas): 00 141 224 3600