Ministry of Defence

Armed Forces Pension Scheme

Pension Savings Tax Booklet

AFPS Members' Guide to Pension Savings Tax

Annual Allowance (AA)

2015 Pension Remedy Retrospective Adjustment

CONTENTS

Introduction

1. The Armed Forces Pension Schemes (AFPS) are registered pension schemes and provide tax privileged savings. Tax incentives are provided to encourage pension saving but there is a cost of providing this tax incentive so the Government places restrictions on the amount of pension saving that is tax privileged.

2. AFPS members are not required to contribute to their pension, therefore any loss of value from pension savings tax should be considered in this context, whereas members of other public schemes also need to assess the value for money of their scheme contribution.

3. The amount an individual can save each year in a pension scheme before being subject to a tax charge is known as the Annual Allowance. For Tax Year (TY) 2023/24 the amount has been increased to £60,000, although a lower amount can apply in certain circumstances. Part 1 of this booklet outlines information related to the Annual Allowance for TY 2023/24.

4. Part 2 of this booklet covers the implementation of the 2015 Pension Remedy and how it has impacted tax legislation, which means members could be affected by any of the following:

- Exceed the Annual Allowance for TY 2022/23 and the Pension Savings Statement was deferred from October 2023.
- Have paid an annual allowance tax charge at any time between 6 April 2015 and 5 April 2022 and therefore a tax adjustment may be required either because of roll back or, if in receipt of pension prior to 1 October 2023, the remedy choice.

Delay to the Provision of Pension Savings Statements

5. Every Public Service Pension Scheme is working through significant complexity to put in place the Public Service Pensions Remedy for all affected members. The AFPS has made significant progress in implementing the remedy, however, the challenges facing all Schemes cannot be underestimated. This has, unfortunately, resulted in delays to the provision of Pension Savings Statements for remedy adjustment, TY 2022/23 and TY 2023/24. Current forecast timelines for the provision of this information is as follows:

Tax Years 2015/16 to 2021/22	End of October 2024
Tax Year 2022/23	End of November 2024
Tax Year 2023/24	Mid to Late January 2025

Pension Savings Statements this year for serving members will be issued via SCIO rather than posted out. A notification will be sent to your MOD email address when it is available. If you cannot access your MODNET account, you should contact your single service pension representative (see defnet announcements for details). Further information relating to deadlines for reporting tax can be found in Part 1 Para 8 for TY 2023/24 and Part 2 Para 38 for remedy years and TY 2022/23.

Disclaimer

6. This booklet is provided as an illustrative guide only. Tax is your personal responsibility. The AFPS cannot assist you with any tax liability calculations. You may wish to seek the services of a tax adviser if you are concerned about how the annual allowance may affect your AFPS pension benefits or any other pension benefits you may have in a pension scheme outside the AFPS. The FAQ section at the end of this booklet contains details of where further information can be found in relation to the topics covered in this guide.

PART ONE - ANNUAL ALLOWANCE 2023/2024

The Annual Allowance

1. The Annual Allowance (AA) limits the amount of tax privileged savings (pension and lump sum) which may be made in a tax year to a registered pension scheme. For defined benefit pension schemes (such as the AFPS), this is determined by the Pension Input Amount (PIA). The PIA is the difference between the capital value of pension and tax-free cash (the lump sum) at the start of the pension input period (the opening value) and the end of the pension input period (the closing value). This is not the value of any contributions that may be paid by the employee or the employer. Where the value of the difference between the start and end of the pension input period exceeds the AA limit a tax liability may arise.

2. There are two elements to the AA - standard and tapered. For TY 2023/2024 the standard tax-free allowance limit increased by £20,000 to £60,000. As a result of this change, only a relatively small number of Service Personnel will likely exceed this limit based on their Armed Forces pension alone. Other Ranks are unlikely to be affected, though a very small number of those who have passed their Immediate Pension Point (IPP) on legacy schemes may exceed the AA.

3. Except for AFPS 75, which is determined by rank and representative rates, all AFPS accrual is based on pensionable salary. As such, a sizeable increase in salary or change of rank, particularly from OF3 upwards, may result in a spike in your pension accrual which could lead to the AA limit being exceeded. Those most likely affected, based on AFPS only, are ranks of OF5 and above. Additionally, some specialists, such as Medical and Dental Officers (MODOs), with higher pensionable earnings may also exceed the AA.

Tapered Annual Allowance

4. Tapering of the AA (introduced on 5 April 2016) affects very few personnel in the Armed Forces. Tapering further limits the available AA if you have a threshold income of more than £200,000 and an adjusted income of more than £260,000. Your threshold income is all taxable income excluding pension savings, your adjusted income includes pension savings.

5. Tapering has the effect of gradually reducing your AA limit by £1 for every £2 that your adjusted income exceeds the adjusted income limit. The maximum reduction to the AA is £50,000. This means that if you have an adjusted income of more than £360,000 your AA is capped at £10,000. The minimum tapered level and the adjusted income threshold have both increased in TY 23/24 from £4,000 and £240,000 respectively.

Pension Savings Statements

6. If you exceed the AA limit (standard or tapered) because of the growth in the value of your AFPS benefits you will be alerted by DBS, via a Pensions Savings Statement (PSS). These are issued in October each year following the end of the tax year[1]. A PSS will also be sent if you do not

[1] This is required under HMRC legislation (Regulation 14A of Statutory Instrument 2006/567)

exceed the AA, but it can be identified you may be affected by tapering owing to your armed forces salary.

7. DBS are the administrators for the AFPS and can only provide notifications that relate to AFPS benefits and Service income. If you have any personal pension arrangements or other income which may create a liability for pension savings tax, you should seek specialist advice from a tax advisor. If you believe that you may have exceeded the AA because of a combination of personal and AFPS pension savings, you are responsible for carrying out your own calculations for the cumulative value of all pension schemes and income. To assist with this calculation, members can request their PIA from DBS. If you make such a request prior to 6 July following the end of the tax year the information will be provided by 6 October, if you make a request after 6 July the information will be provided within 3 months (though see Para 8). You should not use your Benefit Information Statement (BIS) to assess your PIA, the BIS shows estimated growths in pension based on a calendar year from date of last issue and is therefore not suitable for tax purposes.

Delays in Issuing Pension Savings Statements and Self Assessment Deadlines

8. Owing to complications with the 2015 Pension Remedy there will be a delay in issuing Pension Savings Statements to those members eligible for the remedy for Tax Year 2023/24. Statements are expected to be issued by January 2025. This delay will affect all members, not just those eligible for the pension remedy. This means that for some members they may not receive the information in time to declare pension savings on their self-assessment tax return. MOD will issue further guidance on this on defnet and the tax section on the AFPS gov.uk website. Advice can also be obtained from HMRC, who are aware of the issue. Their contact details are available on https://www.gov.uk/government/organisations/hm-revenue-customs/contact/self-assessment.

How your Pension Input Amount is calculated

9. The PIA is the net increase in the value of the pension pot between the beginning and end of the Pension Input Period (PIP), which is 6 April to 5 April for all UK Registered Pension Schemes.

10. The PIA is calculated by multiplying the value of the annual pension at the start of the pension input period (6 April) by 16 (a factor set by the Treasury) and, where applicable[2], adding the automatic pension lump sum (3 x annual pension). This provides the capitalised start value which is then adjusted for inflation, using the Consumer Price Index (CPI) rate as at Sep of the year before the relevant tax year began (i.e. for TY 2023/24 this is 10.1%, as this was the CPI rate at Sep 22[3]). To calculate the value at the end of the pension input period (5 April) the same calculation is carried out, but the value is not adjusted for inflation. See illustrative examples below.

11. Where the difference between the capitalised end value and the capitalised start value is greater than £60,000 (or, if applicable, the tapered AA limit) then the AA limit has been exceeded and you may be liable to pay an AA tax charge, though this can be mitigated through any available

[2] The legacy schemes (AFPS 75, AFPS 05) come with an automatic lump sum, AFPS 15 does not.

[3] HMRC Pensions Tax Manual PTM058070 refers.

unused AA carried forward from previous years that you may have (see Para 14). Use of unused AA can either eliminate or reduce your liability to pay an AA tax charge.

12. Where the opening value exceeds the closing value, a negative PIA will occur. A negative amount can occur when CPI applied to the opening figure results in an amount that is greater than the growth in benefits. Prior to TY 2023/24, when this occurred the amount was zeroised and treated as a nil sum. The effect of this meant that when a negative PIA occurred in a legacy scheme it was not offset against any growth in the AFPS 15 scheme. From TY 2023/24, changes to the Finance Act now result in any negative PIA in the legacy scheme not being zeroised but offset against any growth in AFPS 15[4]. This change does not alter the existing provision that the overall total PIA for a public sector scheme cannot be a negative amount and should this occur, it will continue to be set to zero[5].

13. If issued a PSS you must not ignore it, but follow the instructions contained within. This statement is for you to determine if a tax charge is payable. You can do this by using the information provided in the statement and the HMRC AA calculator. A step by step guide is also available in the Pension Savings Tax section of the AFPS web page to assist with this process.

Illustrative Example – Standard AA

Example 1 – An unprotected OF6, who as a result of the retrospective element of the 2015 Pension Remedy has been rolled back to AFPS05 for service during the Remedy period up to 31 Mar 22 and from 1 Apr 22 is now a member of AFPS15. The OF6's AFPS Pension Input Amount of £63,612.67 for TY 2023/24 is calculated as shown below. The OF6 exceeds the standard £60,000 AA limit by £3,612.67. The OF6 is not subject to a reduced/tapered AA.

The total value of OF6 pension pot at 6 April 2023	
£3,615.93 (AFPS15 pension) x 16 + 10.1% CPI	= £63,698.22
Plus	plus
£76,692.04 (AFPS05 pension) x 16 + £230,076.11 (AFPS05 lump sum) + 10.1% CPI	= £1,604,320.77
The total value of OF6 pension pot at 5 April 2024	
£7,956.93 (AFPS15 pension) x 16	= £127,310.88
Plus	plus
£84,437.94 (AFPS05 pension) x 16 + £253,313.81 (AFPS05 lump sum)	=£1,604,320.78
Pension Input Amount (PIA) for all OF6 AFPS benefits for Tax Year 2023-24	
AFPS 15 PIA £127,310.88 - £63,698.22	=£63,612.66
Plus	plus
Legacy Scheme PIA £1,604,320.78 - £1,604,320.77	= £ 0.01
AFPS PIA = £63,612.66 + £0.01	**=£63,612.67**

The OF6 is not subject to a reduced/tapered AA because their Threshold Income of £176,669.08 (which includes but may not be limited to total taxable earnings from Service pay, as shown on JPA P60) does not exceed £200,000.

[4] The Finance Act 2004 (Registered Pension Schemes and Annual Allowance Charge) Order 2024 refers

[5] HMRC Pensions Tax Manual PTM053301 and PTM053320 refer.

Illustrative Example – Tapered AA

Example 2 – Unprotected OF3 MODO[6], who as a result of the retrospective element of the 2015 Pension Remedy has been rolled back to AFPS05 for service during the Remedy period up to 31 Mar 22 and from 1 Apr 22 is now a member of AFPS15 and has chosen optional bonus earning terms instead of receiving an AFPS05 EDP. The OF3 MODO's AFPS PIA of £47,574.73 for TY 2023/24 does not exceed the standard £60,000 AA limit but they are subject to a reduced/tapered AA limit owing to their income.

The total value of OF3 pension pot at 6 April 2023	
£2,782.86 (AFPS15 pension) x 16 + 10.1% CPI	= £49,022.86
Plus	plus
£23,887.91 (AFPS05 pension) x 16 + £71,663.74 (AFPS05 lump sum) + 10.1% CPI	= £499,711.20
The total value of OF3 pension pot at 5 April 2024	
£6,024.05 (AFPS15 pension) x 16	= £96,384.78
Plus	plus
£26,311.79 (AFPS05 pension) x 16 + £78,935.37 (AFPS05 lump sum)	=£499,924.01
Pension Input Amount (PIA) for all OF3 AFPS benefits for Tax Year 2023-24	
AFPS 15 PIA £96,384.78 - £49,022.86	=£47,361.92
Plus	plus
Legacy Scheme PIA £499,924.01 - £499,711.20	= £ 212.81
AFPS PIA £47,361.92 + £ 212.81	**=£47,574.73**

The OF3 MODO's income indicates they will be subject to a reduced/tapered AA limit, which will increase their excess. This is because their Threshold Income of £226,730.54 (which includes but may not be limited to total taxable earnings from Service pay, as shown on JPA P60) exceeds £200,000 and their Adjusted Income (threshold income plus PIA) of £274,305.27 exceeds the tapering threshold of £260,000.

The OF3 MODO may also have additional pension benefits in other schemes, which could also increase the amount by which their AA is reduced due to tapering, and ultimately, increasing their excess above their individual tapered AA limit.

(Note: Further examples are at Appendix 2 to this guide)

Carry Forward

14. Where a PIA exceeds the AA limit in a tax year, any unused AA from the three preceding tax years may be carried forward, provided you were a member of a tax registered pension scheme in those prior years. Carry forward means that if the value of your pension savings exceeds the AA in a year, the liability for an AA tax charge may be offset. An example in the table below shows that if the value of pension savings in TY 2023/24 was £75,000 (i.e. £15,000 more than the AA) but in the three previous years it had been £31,000, £34,000 and £38,000, then the amount by which each of these previous years were below the AA threshold could be used to offset the £15,000 excess pension saving in the current year.

[6] Medical or Dental Officer

Year	Annual Allowance	Pension Savings	Unused Annual Allowance	Carry Forward Remaining
2020/21	£40,000	£31,000	£9,000	£9,000
2021/22	£40,000	£34,000	£6,000	£6,000
2022/23	£40,000	£38,000	£2,000	£2,000
2023/24	£60,000	£75,000	£0	£2,000

15. The PSS will include the relevant PIAs and income information for your AFPS benefits and Service income in each of the relevant previous tax years, but you may also need to include any additional non-AFPS pensions or income that you have.

HMRC Annual Allowance Calculator

16. On receipt of your PSS, you must input the PIAs and income information (after adding any additional non-AFPS pensions or income) into the HMRC Annual Allowance calculator. The HMRC calculator will determine:

- If a reduced AA limit applies due to tapering (and if so to what extent),
- the amount of unused AA available from previous years to carry forward,
- the amount on which tax is due (**note**: this is not the amount of tax you must pay – see para 17).

The step-by-step guide available on the AFPS webpage includes screenshots from the HMRC calculator which illustrate these outputs.

How do I calculate the tax payable?

17. On entering your information into the HMRC calculator the output will identify any amount on which tax is due. You must then calculate the amount of tax payable. An excess of AA is treated by HMRC as a freestanding tax liability and is added to earnings when calculating the tax due. On 6 April 23, the additional rate of income tax decreased from £150,000 to £125,140 for all UK based taxpayers. For individuals who exceed the AA, tax will be calculated at 40% on all earnings up to £125,140 and at 45% of earnings above this. For Scottish rate taxpayers the values for TY 2023/24 are 42% on earnings up to £125,140 and 47% for earnings above this.

The HMRC AA calculator confirms that an individual has an amount on which tax is due of £26,860, after offsetting all available unused AA. They receive an Armed Forces salary of £98,000, with no other pensions or income from other sources. The amount of tax payable would be calculated as follows:

Salary	£98,000
Excess of AA	£26,860
Total	£124,860

As this amount is under £125,140 tax due = £26,860 @ 40% = £10,744

If the individual was in receipt of an Armed Forces salary of £125,000 with no other pensions or income from other sources. The amount of tax payable would be calculated as follows:	
Salary	£125,000
Excess of AA	£26,860
Total	£151,860
Tax due:	
£26,720 of this excess is above the additional rate limit of £125,140.	
£140.00 of this excess is above the basic rate but below the higher rate limit.	
Tax is calculated as:	
£26,720 @ 45%	£12,024
£140.00 @ 40%	£56.00
Total tax owed:	£12,080

18. The AFPS Step-By-Step Guide for Tax Year 2023/2024 will also outline how to calculate a tax charge and additional information is available from HMRC[7].

19. Latest tax rate bands for Scotland and the rest of the UK are available from the following websites:

https://www.gov.uk/income-tax-rates
https://www.gov.scot/publications/scottish-income-tax-2023-2024/

If a tax charge is payable, how is this paid?

20. It is an individual's responsibility to declare any tax payable to HMRC via a Self-Assessment Tax Return and determine how to pay that tax liability. This must be declared by 31 October for paper returns or 31 January for online returns (though see separate rules if using a PAYE tax code adjustment), following the tax year in which the charge occurred. The delay in providing PSSs for TY 2023/24 does not mean a return can be filed late. Further guidance on how to complete a Self-Assessment Tax Return can be found on the HMRC website.[8]

21. For those members who do have a tax liability there are several options available.

a. **Scheme Pays.** You can elect for the scheme to pay the charge on your behalf this will result in a permanent reduction in your pension. See Para 22.

b. **Pay the charge directly.** Individuals who have a tax charge may arrange to pay this directly to HMRC via self-assessment**.**

[7] https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm056110https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm051100#The-amount-of-annual-allowance-charge

[8] https://www.gov.uk/government/publications/self-assessment-tax-return-sa100

c. **Tax Code Adjustment**. Individuals can settle the charge through adjustment of their PAYE tax code. To do this you must meet these three conditions:

- The total amount of tax you owe is less than £3,000 (you cannot make a part payment to meet this threshold).
- you already pay tax through PAYE (you will if receiving AFPS salary or pension).
- you submitted your paper tax return by 31 October or your online tax return by 30 December.

HMRC will automatically collect tax through adjustment of your tax code if all three conditions are met and you have not declared another method of payment in your self-assessment tax return.

d. **Combination**. A combination of Scheme Pays, and direct payment can also be used to pay the charge.

Scheme Pays

22. Scheme Pays is a mechanism to help pension scheme members pay their AA tax charges. This is an entirely voluntary process that allows individuals to ask the scheme to pay their tax charge. The maximum amount that can be paid is limited to 45% of the AFPS PIA, there is no minimum amount. You can only use Scheme Pays via the AFPS for a tax charge which relates to your AFPS pension. Any tax charge incurred because of membership of another pension scheme cannot be paid by the AFPS and you will need to engage with that scheme's pension provider.

23. If electing to use Scheme Pays, a permanent (lifetime) reduction of an equivalent actuarial value will be applied to your pension benefits once they come into payment. This reduction is only applied to the pension and lump sum where one is payable and has not yet been paid - early departure payments (EDP) available under AFPS 05 and AFPS 15 are not affected, and Scheme Pays is not applied until the pension comes into payment[9]. The actuarial reduction is applied to the scheme to which the AA tax charge relates, where a PIA is derived from a combination of AFPS schemes, the charge is proportioned between those schemes (e.g. AFPS 75 and AFPS 15) to reflect the amount each scheme contributed to your combined AFPS PIA. Scheme Pays does not have a consequential impact on any benefits payable to your dependants in the event of your death.

24. When you initially apply for Scheme Pays, your quoted reduction is worked out on factors that take account of your age at the time the tax charge is incurred and an assumed age of taking your pension benefits at age 65. This is a standard simplification as it is not yet known when your pension payments will start, or your age at that time. If your pension benefits are paid either earlier or later than age 65, then the initial "age 65" Scheme Pays reduction will be adjusted accordingly.

25. The Scheme Pays conversion tables (used to calculate the initial "age 65" value of the reduction) and the Adjustment factor tables (used to revalue the debit to the member's age at date of retirement) are available to members and their advisors online at the Armed Forces Pensions

[9] AFPS 05 the deferred pension is payable at Age 65 and for AFPS 15 it is state pension age, but see individual scheme explained booklets for further details..

pages on gov.uk, within the Scheme Pays factors section under tables 1201, 1202, 1203 and 1204 respectively. These factors are subject to 4 yearly valuations.

26. A decision to use Scheme Pays to pay an AA tax charge is usually made whilst still in service, although Scheme Pays can also be used to settle any AA tax charge incurred from the AFPS after leaving the service. Once made, a Scheme Pays decision is irrevocable and the reduction is permanent.

27. Scheme Pays offers flexibility, but it is a member choice, and some members may prefer to pay the charge to HMRC directly. Individuals who plan to elect for Scheme Pays must inform HMRC of their intent through their self-assessment tax return by the relevant submission date. They must also personally ensure all aspects of the internal process are complete; the Scheme Pays process is as follows:

Step 1 – complete Form AFP15136L (Annex D to PSS letter) to ask for a quote.
Step 2 – receive quote and review AFP15137L (Scheme Pays quote).
Step 3 – complete and return AFPS Form 17 (Scheme Pays final decision stating intent) by 31 July. A digital version of this form is available on MODNET.
Step 4 – Receive confirmation AFP15139L (Acknowledgement of decision to use Scheme Pays) or Letter AFP15140L (Acknowledgement of decision NOT to use Scheme Pays).

28. Until you have received this confirmation the Scheme Pays process is not complete. If you submit a request for a quote, you are under no obligation to inform the scheme if you do not wish to proceed with Scheme Pays and you will not be hastened for a response to any quote that is issued to you. If you do wish to proceed then it is vital that you return Form 17, noting that the process is not complete until Step 4, receipt of confirmation from DBS acknowledging your decision to use Scheme Pays, is received. Details on using Scheme Pays are contained in the PSS letter and the self-help guide.

29. Members should give careful consideration as to which method of paying the tax charge is most appropriate for them given their individual financial circumstance and seek independent financial advice if needed. **MOD will not be able to advise members in making their payment decision.**

30. Individuals may be liable to pay an AA tax charge more than once within their career and there is no limit on the number of times a member can decide to use Scheme Pays. A member can adopt different approaches for each tax charge, e.g., pay one charge directly, pay another charge by Scheme Pays, or use a mixture of both approaches for another. If the member exceeds their AA in a subsequent TY, DBS will notify them, a decision to use Scheme Pays in one year does not affect the options available in subsequent TYs. Each Scheme Pays decision for each relevant tax year is treated in isolation.

Pension Sharing on Divorce

31. Pension Sharing on Divorce (PSOD)[10] is very complex. Consequential pension debits from a Pension Sharing Order (PSO) may increase the likelihood of an AA tax charge, depending on the

[10] Including dissolution of Civil Partnership.

timing of the divorce and how this interacts with other events which affect pension calculations. Members of AFPS 75, AFPS 05 and AFPS15 who divorce with a PSO which was implemented before reaching Immediate Pension point (IPP) (16 years - AFPS 75, age 55 - AFPS 05 and age 60 – AFPS15) will have their PSO debit actuarially revalued when they reach the IP point for the relevant scheme to which they are a member.

32. Members who divorced after IPP on AFPS 75 then transferred under the Offer to Transfer to the AFPS 05 should contact DBS to discuss their specific circumstances. Members who are in the process of divorce should familiarise themselves with Pension Benefits on Divorce and Dissolution of Civil Partnerships booklet.

Specific circumstances where adjustments to the Opening and Closing Values in the AA calculations are made

33. Adjustments may be made to opening/closing values of a pension for certain events. DBS will make the necessary adjustment when calculating an individual's pension benefits and they will be included within the pension values used to calculate the PIA and shown in the information supplied with PSS letters. This includes:

a. **Additional Voluntary Contributions (AVC).** Individuals who are paying to either an in-house AVC or a Free Standing AVC through a third party will need to include the additional voluntary contributions they pay in their AA calculations.

b. **Added Pension.** Individuals who have purchased Added Pension under the AFPS 15 will have the amount of additional pension purchased included, not the amount of additional contributions.

c. **Pension Supplements**. Members of AFPS 75 who receive daily supplements to their pension e.g. Divers, Aviators, Medics etc, will have these included in their AA calculations. Supplement codes are published annually alongside the AFPS 75 Pension Codes. The supplement is based on the number of days reckonable service you have in the scheme since 1 Apr 92[11] multiplied by the daily supplement for the relevant rank. This supplement is then added to the relevant pension code.

Purchase of Added Pension – Tax Implications

34. Added Pension provides the ability for members to enhance the value of the AFPS 15 pension that will be received in retirement.

35. Added Pension contributions taken from salary are deducted before income tax is calculated, however those who purchase Added Pension by a lump sum must reclaim the income tax they have paid via their tax return. Personnel who purchase Added Pension should be aware that it is the amount of Added Pension they have purchased and not their contribution amount which counts towards the AA. Similarly, those who, as a result of the 2015 Pension Remedy, elect to purchase an AVC in their legacy scheme should be aware that any enhancement to their pension will count

[11] Nurses and RN Clearance Divers supplement effective from 1 Aug 09.

towards the AA. It is an individual's responsibility to manage their own tax affairs; personnel are advised to seek independent financial advice prior to entering any added pension contract.

36. Service Personnel who have taken out Added Pension/Additional Voluntary Contributions will be aware of the implications of cancelling them from the declaration they signed at the outset. Any contributions made and what can be reclaimed will vary depending on the pension scheme the individual is a member of and they should ensure they understand these rules before determining whether they wish to cancel, along with seeking independent financial advice.

Important Information for Self-Assessment Returns

37. Members who are liable to pay an AA tax charge must complete a Self-Assessment return are requested to include the following information on their return:

- Employer Ref: 948/02/WZ82056
- Unique Taxpayer Reference (UTR)[12]
- Pension Scheme Tax Reference Number: 00817591RA

38. The Self-Assessment Tax Return process (note this does not apply for TY 2022/23 – see Part 2) must be completed no later than 31 October following the end of the tax year for paper submissions and 31 January for online submissions. If you have not previously completed a self-assessment tax return, you will need to register and apply for a Unique Taxpayer Reference (UTR)[13] and an activation code for self-assessment[14]. This UTR can take up to 10 working days and the activation code 7 working days. Details are available at HMRC Register for Self Assessment - GOV.UK (www.gov.uk).

39. If you are not aware of any tax liability because of Pension Savings or have not calculated your tax liability, you should not delay submitting your tax return. You can make amendments to a tax return up to 12 months from the self-assessment deadline. See HMRC guidance here https://www.gov.uk/self-assessment-tax-returns/corrections. You should also not delay submitting your return if you have not yet completed the HMRC Pension Remedy Adjustment service.

Tax Information

40. Further information on pension tax is available on the AFPS gov.uk page [link below] and from HMRC at this link [https://www.gov.uk/tax-on-your-private-pension/annual-allowance].

https://www.gov.uk/guidance/pensions-and-compensation-for-veterans#pension-savings-tax

[12] The individual's UTR will be printed next to the headings 'Tax Reference', 'UTR' or 'Official Use' on their HMRC correspondence.

[13] If you have a UTR for other tax reasons this can be used for SATR.

[14] An activation code is only required if you have a tax liability or are required to complete self assessment for another reason.

PART TWO – 2015 Pension Remedy and Tax Year 2022/23

The 2015 Pension Remedy and Annual Allowance

1. Individuals that are eligible for the 2015 Pension Remedy and were rolled back to their legacy scheme may see their pension tax position for one or more of the years in the remedy period (1 April 2015 to 31 March 2022) affected. This is particularly the case if an AA tax charge was paid during this period. You can read more about the 2015 Pension Remedy and roll back in the Your 2015 Pension Remedy Scheme Explained Booklet available on the AFPS webpage on gov.uk.

2. The implementation date of the 2015 pension remedy also resulted in HMRC deferring the issue of PSSs for TY 2022/23 for those eligible for remedy and who were rolled back into their relevant legacy scheme. Because of this, TY 2022/23 has been incorporated into a new HMRC public service pension adjustment service.

3. The public service pension adjustment service is designed to work out any refunds or compensation due or new or reduced annual allowance charges to be paid for the remedy period and to report any pension savings tax information for TY 2022/23. It has been developed to ensure there is no requirement to re-open self-assessment tax returns for TYs 2015/16 to 2022/23 to report pension savings tax adjustments.

Retrospective Annual Allowance Calculations post 2015 Remedy

4. Adjustment of the tax position and how an individual is affected is defined by the position they were originally in during the remedy period and their pensioner status on 30 Sep 23. Members were either protected or unprotected for the remedy period and either a pensioner member (taking benefits and therefore have an immediate choice) or an active or deferred member (not taking benefits and therefore have a deferred choice) on 30 Sep 23. This is set out in the table below:

Transition to or a member of AFPS 15 prior to 1 Apr 22	First transitioned to AFPS 15 on 1 Apr 22	Not started to take any pension benefit or EDP on 1 Oct 23	Started to take a pension benefit or EDP prior to 1 Oct 23
Unprotected	Protected	Deferred Choice	Immediate Choice

Immediate Choice

5. An immediate choice member cannot adjust their tax position until **after** they have made a remedy choice. This applies whether they are protected or unprotected. Once they have made their remedy choice they will, if required, be provided with a remediable PSS within six months of making this choice, or within six months following the end of their election period, whichever is the earlier.

6. How a remedy choice will apply to an immediate choice member's tax position is outlined below;

Status and Remedy Choice	Annual Allowance Calculation
Protected Member elects for legacy benefits	There will be no change to the tax position, and no further information is required. Existing Scheme Pays debits will stay the same.
Protected Member elects for AFPS 15 benefits	There will be no change to the tax position for the remedy period. If the AFPS 15 Pension Input Amount (PIA) is higher than the legacy scheme this will be ignored. If in the year of retirement, the AFPS 15 pension input amount is lower, this lower value will be used, and an adjustment may be required. A PSS will be provided if required. See example at para 14.
Unprotected Member elects for legacy benefits.	This will change the tax position. PIAs for the remedy period will be re-calculated on legacy benefits and the revised PIAs will need to be entered into the adjustment tool. A remedy PSS will be provided to use the adjustment tool.
Unprotected Member elects for AFPS 15 benefits.	There will be no change to the tax position. However, compensation may be payable if the PIAs for the remedy period are lower in the legacy scheme. Information will be provided to allow use of the adjustment tool to assess any compensation that may be due.

Deferred Choice

7. All unprotected deferred choice members were rolled back to their relevant legacy scheme on 1 October 2023, as such their PIAs for the remedy period will be based on their legacy scheme. This will not change when they subsequently make a remedy choice. These members will be sent the information they require to adjust their tax position from October 2024 (but see para 38). This also applies for Protected members who have a deferred choice and subsequently choose AFPS15 benefits, there will be no change to the tax position for the remedy period because PIAs remain in their legacy scheme.

8. If in the intervening period (i.e. between 1 October 2023 and receipt of a Remedy PSS) a deferred choice member starts to draw pension or EDP benefits, their remedy choice will also not affect how the AA is treated for the remedy period. They will also not risk facing any additional AA tax charge directly because of their remedy choice, however, until they have completed the public service pension adjustment tool any Scheme Pays debits that apply will remain based on their pre rollback position. Deferred choice members leaving service in this position will be provided with a Remediable Service Statement (RSS) which shows entitled pension benefits in both legacy and AFPS 15 schemes without any Scheme Pays debits applied. This allows a fair comparison of pension entitlement under both schemes.

9. As a protected deferred choice member remained in the legacy scheme for the remedy period, a retrospective adjustment of the tax position is not required.

10. For all deferred choice members, the PIA for the remedy period will be based on the relevant legacy position. If, when making a subsequent remedy election, a member chooses AFPS 15 benefits, it will not alter the tax position for the remedy period but in the tax year those

benefits are taken (the retirement year), the pension opening value will be calculated using legacy benefits. The closing value will be the lower of the value of the legacy scheme rights and AFPS 15 scheme rights, if this exceeds the AA (currently £60,000) a PSS would be issued for that tax year.

11. An example of how this would work is outlined below.

> A pension input amount (PIA) is calculated as explained in part one of this guide, but briefly summarised below;
>
> Amount of pension built up at start of tax year (6 April) x 16 + lump sum + CPI
> Amount of pension built up at the end of the tax year (5 April) x 16 + lump sum
>
> The PIA is the difference between the opening and the closing value.
>
> This calculation is done for each scheme you have benefits in, and the totals are added together. A negative amount in the legacy scheme will be offset against positive value in the AFPS 15 scheme.
>
> As a result of remedy, these calculations are based on your pension accrual being in the legacy scheme up to 31 March 2022 and in the AFPS 15 scheme from 1 April 2022. This will continue until you leave service.

12. On leaving the service the following will occur:

> Assume a member leaves service on 1 September 2025.
>
> The opening value will be based on accrued pension entitlement built up to 6 April 2025. This will be based on being in legacy scheme up to 31 March 2022 and in AFPS 15 from 1 April 2022.
>
> The closing value will be the accrued pension entitlement built up to 1 Sep 25 (the date of exit). This will be based on being in legacy scheme up to 31 March 2022 and in AFPS 15 from 1 April 2022.
>
> If a choice for legacy benefits is made the difference between the closing value on 1 September 2025 and opening value on 6 April 2025 will be assessed and if this exceeds the AA limit in force at the time you will be issued a PSS and may be liable to a tax charge.
>
> If a choice of AFPS 15 benefits is made the opening value will be calculated in exactly the same way; pension entitlement built up to 6 April 2025 based on being in the legacy scheme up to 31 March 2022 and in AFPS 15 from 1 April 2022.
>
> Two closing values will then be calculated:
>
> One for accrued pension entitlement built up to 1 September 2025. This will be based on you being in legacy scheme up to 31 March 2022 and in AFPS 15 from 1 April 2022.

One for accrued pension entitlement built up to 1 September 2025. This will be based on you being in legacy scheme up to 31 March 2015 and AFPS 15 from 1 April 2015.

The lower of those two closing calculations will be assessed against the opening value. If the difference on the lower value exceeds the annual allowance amount in force at the time, then you would be issued a PSS and may be liable to a tax charge.

The principle of this approach means that no additional tax liability will be generated for electing for reformed scheme benefits.

Legacy Scheme PIA

13. While it is not guaranteed, the difference between legacy and AFPS 15 schemes means it is more likely than not that the legacy scheme will generate a lower PIA. This is because:

- AFPS 15 has a higher accrual rate at 1/47th this compares to 1/70th in the AFPS 05 scheme and approx. 1/60th in AFPS 75 (though this scheme does not accrue in a uniform manner)
- AFPS 15 is revalued each year in line with average wage earnings index, this has regularly tracked higher than CPI. AFPS 15 accrual also increases in line with the pay award.
- Legacy schemes increase in line with the pay award only, they are not revalued in service.
- The armed forces pay award was suppressed for most of the remedy period.
- Pay changes and promotion reflect immediately in AFPS 15 accrual (including incremental progression), whereas there is a lag effect in legacy schemes based on how those schemes operate which is why promotion spikes occur.

2015 Pension Remedy In and Out of Scope Tax Years

14. For AA purposes, the remedy period is broken down into two periods. The first is out-of-scope tax years, which covers the TY 2015/16 up to and including the TY 2018/19. Any underpayment of pension savings tax in this period will not be collected, any overpayment will be reimbursed either through direct or indirect compensation from the pension scheme. You will not need to contact the scheme or HMRC.

15. The second is in-scope tax years, which cover TY 2019/20 to 2021/22. During this period, any underpaid tax, following adjustment, will be required to be paid either through Scheme Pays or direct to HMRC. Any overpaid tax will be repaid through the same method it was originally paid, either direct from HMRC or via an adjustment to Scheme Pays.

16. Members will not be required to report or amend any pension savings tax for TY 2015/16 to 2021/22 through self-assessment. Instead, they will be required to provide information to HMRC and the Scheme Administrator, in a separate format. This revised tax administration framework allows for the self-assessment system to operate as normal for affected members for all other tax purposes and will not impact self-assessment for TY 2023/24.

Annual Allowance for Tax Year 2022/2023

17. For TY 2022/23, HMRC instructed schemes to delay the issuing of PSSs for unprotected deferred choice members who exceeded the AA until October 2024. This was to ensure that the PIA for TY 2022/23 was correctly calculated based on pension benefits being in the rollback, i.e. legacy, position.

18. This means if an unprotected deferred choice member exceeded the AA in TY 2022/23, which is at the £40,000 limit, a PSS will be issued from October 2024 (but see Para 38).

19. HMRC also confirmed that unprotected deferred choice members will not need to report any AA charges for TY 2022/23 via self-assessment. Instead, they would declare any charge via the public service pension adjustment service. Protected deferred choice members were issued a PSS in the normal manner and should have reported any AA tax charge via self-assessment.

20. If you are an unprotected deferred choice member and have exceeded the AA in TY 2022/23 you will be provided the information in a Remedy PSS and will be required to follow the instructions to use the public service pension adjustment service.

Public Service Pension Adjustment Service

21. The Public Service Pension Adjustment Tool, which can be found at this website https://www.gov.uk/guidance/calculate-your-public-service-pension-adjustment, will enable members who have new AA charges, or changes to AA charges because of the 2015 Pension remedy to:

- Reassess any AA charges incurred during the remedy period.
- Apply for a refund of any previously overpaid AA charges for TYs 2019/20, 2020/21 and 2021/22.
- Apply for compensation for any previously overpaid AA charges for TYs 2015/16 to 2018/19.
- Report and pay any underpaid AA charge for TYs 2019/20, 2020/21 and 2021/22.
- Report and pay an AA charge for TY 2022/23.

The adjustment tool will also apply to other tax charges such as lifetime allowance charges, see the Lifetime Allowance booklet.

22. To use the public service pension adjustment tool, you will require:

- Your total income for each TY from 2015/16 to 2022/23, or up to the date of leaving the scheme. Your adjusted and threshold incomes will be shown on your Remedy PSS, any other income information will have to come from your own records.
- The amount of your personal allowance for each TY from 2015/16 to 2022/23. You can find this on your personal tax account, the HMRC app or the SA302 on your self-assessment account. If you were a Scottish taxpayer for any tax year from 6 April 2016 onwards, you will need to know the applicable tax years.

- The name and pension scheme tax reference, of any public service pension schemes you were a member of during the period 2015/16 to 2022/23. For AFPS this is provided at Para 37 in Part 1 or at Q3 in the FAQ.
- The name and pension scheme tax reference, of any other pension schemes you were a member of during the period 2015/16 to 2022/23. This means any scheme other than your Armed Forces Scheme.
- Details of any membership of a defined contributions pension scheme, and whether you have flexibly accessed this pension and the date you first flexibly accessed.
- Details of any annual allowance tax charges that occurred between 6 April 2014 and 5 April 2015. If you did not pay an annual allowance tax charge between 6 April 2014 and 5 April 2015, you will need to provide details on whether you were a member of a registered pension scheme and what your PIAs were for TYs 2010/11 to 2014/15. You will be able to find this information for your Armed Forces Scheme on your Remedy PSS.
- Full details of your revised PIAs for your public service pension schemes for TY 2015/16 to 2022/23. You will be able to find this information for your Armed Forces scheme on your Remedy PSS
- Full details of your PIA for any non-public service pension schemes you may have been a member of for TY 2015/16 to 2022/23. If applicable, then you will need to obtain this information from the relevant pension provider. It cannot be provided by the AFPS.
- If you are a member of any non-public service pension schemes, then you will need the total amount contributed to a relief at source scheme for TYs 2015/16 to 2022/23. Relief at Source are contributions that relate solely to pension savings that were paid before tax relief was given. For example, this could be because your pension scheme was not set up for automatic relief or if someone else paid into your pension. If you have done a self-assessment tax return you will have entered this figure on there. If you have not completed a self-assessment tax return you will need to contact your non-public service pension scheme. This will not apply to you if you only have an AFPS pension.
- If you paid an AA tax charge during TYs 2015/16 to 2021/22 you will need to declare the amount you paid and how you paid it, either directly or via Scheme Pays. If you have used Scheme Pays you will find details of the tax paid via this method on your Remedy PSS. If you paid direct to HMRC you will need to obtain this information from your self-assessment tax returns.
- Details of any blind persons allowance you received from 5 April 2015 to 6 April 2023.
- The total amounts of all donations to charity on which you claimed gift aid. This does not include any charitable donations you make direct from your armed forces salary.
- Details of any tax relief you have received for payments to trade unions or police organisations for each tax year from 5 April 2015 to 6 April 2023. Not likely to apply to members of the AFPS.
- Any additional income tax relief you claimed e.g. uniform tax relief. This does not apply to any uniform tax relief you receive through salary.

If you do not have any of the information above from either your Remedy PSS or what have been included on your self-assessment tax return, you can view this on your personal tax account for the previous 4 tax years. If you cannot access this information, you can request this by contacting publicservicepensionsremedy@hmrc.gov.uk

Further information is provided on the landing page of the adjustment service and in the available HMRC Guide and your Remedy PSS.

23. The adjustment services requires you to sign in using your government gateway user ID and password,, it is possible to use the tool without signing in, but you will not be able to save progress or submit any information to HMRC if you are not signed in. As highlighted, you will be asked for a significant amount of information, therefore it will take time to complete so you should be prepared for this.

24. The first section of the tool will ask a series of questions to see if you need to use the service. This section is relatively straightforward. Once answered and you have reached the 'check your answers' page, select continue to confirm your use of the tool.

25. Once you have completed the tool, if you are signed in and the calculation results page says you have overpaid an AA charge, you would need to input your bank details if you paid the original charge directly to HMRC from TY 2019/20 to TY 2021/22, and HMRC will refund you that amount. If you used Scheme Pays and did not pay the charge direct to HMRC, there is nothing else you need to do. HMRC will automatically update DBS who will contact you to confirm that your Scheme Pays arrangement has been adjusted. It is not possible at this stage to determine the timeframe for this.

26. If the overpaid charge was for TYs 2015/16 to 2018/19 HMRC will automatically update DBS who will contact you, again it is not possible to determine a timeframe for this.

27. If the calculation results indicate you have an AA charge to pay, this could only be for a TY from 2019/20 to 2022/23. The tool will ask you how you want to pay the charge. If you want to pay the charge yourself, HMRC will explain how to do this. If you want to use Scheme Pays you do not need to do anything else, you will indicate this in the tool and HMRC will automatically update DBS of your decision. The scheme will pay the charge and contact you to confirm your Scheme Pays arrangement has been updated.

28. If before committing to use Scheme Pays you wish to receive a quote, or a 3rd party is completing the tool on your behalf you will need to use the process outlined in Part 1 to use Scheme Pays.

29. Should you have income or pension accrual from sources other than the Armed Forces, this information will also be required for the period 6 April 2015 to 5 April 2023.

Public Service Pension Adjustment Service – Third Party Support and Cost Claim

30. If you are affected and you need professional support to use the adjustment service, you can submit a claim to DBS to recover any costs incurred for this support. Details are contained in the FAQ section at the end of this booklet and in your RPSS.

31. Most members who use the first section of the tool and are told that their tax position is not affected, are unlikely to need professional support. This means applications for costs for support

will only be likely approved for those that have a tax adjustment, but all claims will be individually considered.

Annual Allowance Tax Charge Paid in the Remedy Period

32. DBS can only determine if you paid an AA tax charge if you have used Scheme Pays. Therefore, if you have used Scheme Pays at any point in the remedy period to settle a tax charge you will automatically be provided with revised PIAs for the entire remedy period.

33. If you have never used schemes pays and only ever settled an AA tax charge (because of your Armed Forces Pension) direct to HMRC during the period 6 April 2015 to 5 April 2022 you will need to inform DBS of this. Personnel who were issued a PSS during the remedy period (excluding TY 2022/23) but no record existed of Scheme Pays being used were written to in April 24 and asked to declare if they had paid an AA tax charge directly to HMRC. If you did not receive a letter but know you paid an AA tax charge (directly to HMRC and have never used Scheme Pays) because of AFPS membership, then you should contact DBS.

Prior Use of Scheme Pays

34. Some members during this process may identify that they thought Scheme Pays had been used but owing to the process outlined in Part 1 at Para 21 not being completed an AA tax charge remains unpaid. This may have occurred if DBS were not formally instructed to pay the charge (a submission of an Annex D is **not** a formal instruction to use Scheme Pays).

35. Where this occurs, members should first check their own tax records to verify that they do not have a Scheme Pays confirmation letter with the reference AFP15139L (noting a Scheme Pays quote with the reference AFP15137L is not a confirmation letter). If members have this AFP15139L confirmation letter, then they can be assured that the charge was paid. If they cannot verify through their own records (or via HMRC) that a charge has been paid, or they have been issued a late payment notice by HMRC, then they can contact the pension tax team via the AFPS Scheme Pays mailbox AFPSSchemePays@dbspv.mod.uk to seek resolution. They will still be able to enter a voluntary Scheme Pays arrangement for the original tax charge.

36. The 2015 Pension Remedy will, however, mitigate some of the effects. Most members affected by AA tax charges, and therefore with a potential need to use Scheme Pays, were those unprotected members who have been rolled back, as such their pension input amounts will change, which will adjust their tax liability. Consequently, they will be issued a Remedy PSS which will provide details of all of the payments the scheme has made on their behalf via Scheme Pays during the Remedy period. Members will input this information into the HMRC public service pension adjustment service, which will work out any tax overpayment/underpayments, and in subsequent processing these will be adjusted.

37. If a tax charge that has not been paid is identified during this process, then the tax owed will be based on the adjusted, and not the original amount. Late payment penalty and interest may still apply. Late payments can be appealed directly to HMRC. DBS will not be able to intervene on a members' behalf.

Delays in Issuing Remedy Pension Savings Statements and Tax Adjustment Tool Deadlines

38. The complexity of the pension remedy has meant there will be delays in issuing pension savings statements to deferred choice members. Timelines for issues are expected to be as follows:

Tax Years 2015/16 to 2021/22	End of October 2024
Tax Year 2022/23	End of November 2024

39. This will not result in any late payment notice to members as deadlines for those eligible for the 2015 Pension Remedy and using the public service pension adjustment tool to report any additional tax charges for tax years 2019/20 to 2022/23 are:

31 January 2025 or 3 months from receipt of information, whichever is the later for those who were in service on or after 1 October 2023.
31 January 2027 or 3 months from receipt of information, for those who left service on or before 30 September 2023.

Further details on reporting timelines for those required to make AA tax charge adjustments because of the 2015 Pension Remedy is available at https://www.gov.uk/guidance/changes-in-your-annual-allowance-following-the-public-service-pensions-remedy.

Disclaimer: *This is provided as a reference document only, it does not replace or supersede legislation or HMRC policy guidance, which in all cases would apply. It is also not to be taken as a recommendation to pursue (or not pursue) a particular course of action. The MOD or its employees are not qualified financial advisors and cannot accept any responsibility or liability for any tax liability arising from any act or omission made in respect to the contents of this reference material. This reference document cannot be relied upon in relation to an individual's own circumstances, they must always check relevant HMRC information. Individuals are reminded that they are responsible for their own tax liability, and it is their responsibility to understand and manage their finances. All personnel affected by the contents of this reference document are strongly advised to seek advice from their own Independent Financial Adviser or other professional adviser as appropriate.*

Point of contact details:

Veterans UK Pensions Tax Team, Mail Point 484, Kentigern House, 65 Brown St, Glasgow, G2 8EX or by email at DBS-JPAC@DBSPV.MOD.UK.

DPT REM Pension Policy: AFPension-Policy@mod.gov.uk

Appendix I

Guidance on Calculating Pension Entitlements

1. To assist individuals in determining their pension entitlements undertaking their AA calculations, the following Appendices have been provided:

Appendix 1	Guidance on calculating pension entitlements.
Appendix 2	Fully illustrative worked examples
Appendix 3	Frequently Asked Questions

It should be noted that this guide is not to be taken as a recommendation to pursue (or not pursue) a particular course of action. The MOD and its employees are not qualified financial advisors and cannot accept any responsibility or liability for any tax liability arising from any act or omission made in respect to the contents of this guide. This guide may not be relied upon in relation to an individual's own circumstances. **Individuals are reminded that it is their responsibility to understand and manage their finances and further are strongly advised to seek advice from their own Independent Financial Adviser or other professional adviser as appropriate.**

2. Pension entitlements in the main Armed Forces Pension Scheme (AFPS15) and the legacy pension schemes (AFPS 75 and AFPS 05) are calculated differently. For example, within AFPS75 there are different calculations depending on your rank and whether you have reached the Immediate Pension Point (IP) point or not. The IP point is 16 years Reckonable Service (RS)[15] for Officers and 22 years RS for Other Ranks.

Officers below OF5

3. Changes to the Annual Allowance amount means it is unlikely personnel below OF5, who are on the main spine are unlikely to be impacted. For MODOs and OF5 and above they are likely to be affected by AA at some stage in their career although any Officer (and some Other Ranks) can be affected due to exceptional events in their careers that lead to sudden spikes in growth of their pension pot during a tax year, this is most pronounced in the AFPS 75 scheme.

4. AFPS75 is primarily based on rank and length of service, and the scheme rules require SPs to spend certain periods of time in rank before qualifying for that rank for pension purposes. Generally, an SP must hold substantive rank for 2 years in order to qualify for that rank for pension purposes, although an uplift is applied after one year's service in the higher rank - but officers with three years acting rank can also qualify, and there are also other exceptions.

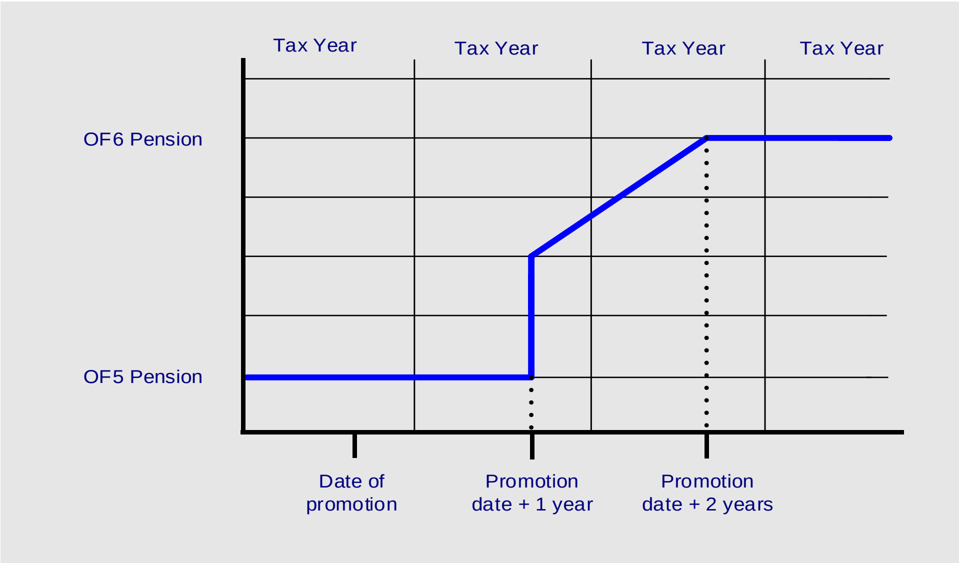
AFPS 75

5. **OF6 and below**. The pension entitlement for AFPS 75 members of OF6 rank and below are based on representative rates of pay, which are issued annually on Gov.uk. Compulsory Rates of Service Retired Pay are used to determine the value of pension accrued at both the start and end of the Pension Input Period.[16] The pension for an AFPS 75 member of OF6 or below will also

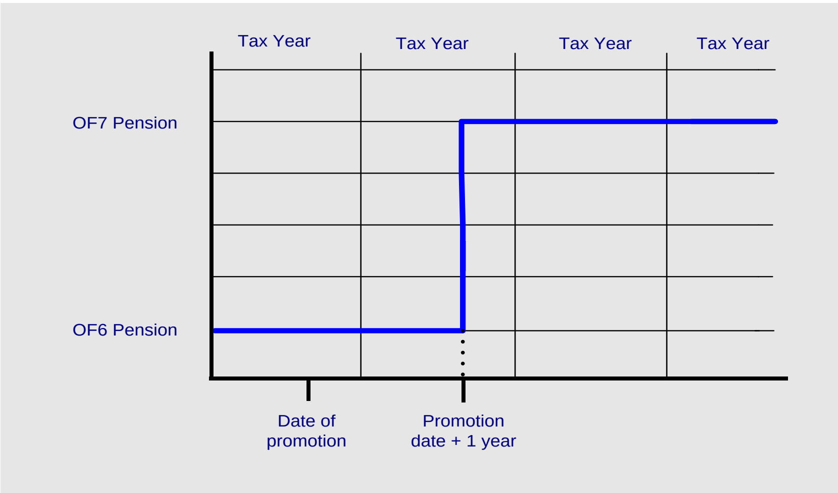
[15] For Pension purposes Service for officers which starts at age 21 (or date of entry; if later) for a maximum of 34 years.

[16] Compulsory rates of Service Retired Pay are used to determine pension entitlement where the member terminates from service on or after their contract end date. Premature Voluntary Retirement rates of Service Retired Pay apply where a member retires at their own request before their

include a Pension and associated lump sum entitlement adjusted based on the Representative Rates of Pay in force on the calculation date[17]. A member of AFPS 75 at the rank of OF6 and below does not accrue full pension benefits in a specific rank until that rank has been held continuously for 2 years. After one year's continuous service in the new rank, as long as the individual is substantive, 50% of the higher rank pension will have been built up. Over the next year, the pension benefit will increase proportionally until it reaches 100% of the higher rank pension at the end of the second year.[18] The profile is illustrated below:



6. **Promotion to OF7**. For promotion from OF6 to OF7 the individual only needs to hold the substantive rank for 1 year before the full pension benefits[19] are earned. The profile therefore as follows:



contract end date. For an AFPS75 Officer, voluntary retirement is defined as leaving the Service prior to completion of a commission or completion of an extension, i.e. before the end of their contracted employment period, commonly known as the Engagement Expiry Date (EED). For members of OR9 or below there are no differing rates of pension, only standard rates of service pension apply to these ranks.

[17] The compulsory pension by final rank for the total AFPS75 reckonable service at the transfer point is adjusted by the ratio of the representative pay by final rank for the total AFPS75 and AF15 reckonable service at the exit point, to the representative pay by final rank for the total AFPS75 reckonable service.

[18] Where an Officer holds acting higher rank for at least one year (and retires before being made substantive) full pension benefits for the higher rank are earned pro-rata over 3 years (33.33% at the end of Year 1, 66.67% by the end of Year 2 and 100% by the end of Year 3). Where an Other Rank holds acting higher rank for at least one year (and retires before being made substantive) full pension benefits for the higher rank are earned pro-rata over 2 years (50% at the end of Year 1 and 100% by the end of Year 2).

[19] OF7 and above pensions are based on Final Pensionable Earnings calculated using percentage rates.

7. **OF7 and above**. Officers of OF7 rank and above begin to accrue full pension benefits once they have held substantive rank for 1 year. Pensions for these individuals are based on pensionable earnings, not representative pay. The percentage rates are published annually alongside the pension codes.

8. **Pre IPP**. Members of the AFPS 75 who have not yet reached their IP point need to use the following formula to establish their pension input amount (using 2014[20] pension codes):

a. Officers: Full Career Pension (FCP) at 34 years' service in the current rank x Accrual Rate (3%) x RS, e.g. OF4 with 14 years' service = £37,644 x 3% x 14 = £15,810

b. Other Ranks: FCP at 37 years' service in the current rank x Accrual Rate (2.75%) x RS, e.g. OR8 with 20 years' service = £19,473 x 2.75% x 20 = £10,710

9. **Pension Supplements**. Members of AFPS 75 who receive daily supplements (Divers, Aviators, Medics etc), need to include these in their AA calculations. The supplement is based on the number of days you have been paid from the relevant bespoke pay spine since 1 Apr 92[21] while in the AFPS 75 scheme, this is then multiplied by the daily supplement for the relevant rank. This supplement is then added to the relevant pension code.[22]

10. The AFPS75 rank for pension purposes rules mean that promotion has a delayed effect for AFPS75 SPs, because the effect of the promotion does not manifest itself until the relevant qualification period has elapsed after the promotion occurred. The other AFPS schemes are all salary based, which means the effect of a salary increase on promotion is immediate - which means that any promotion will affect pension growth immediately within the tax year being assessed.

AFPS 05

11. For members of AFPS 05 pension benefits are based on the Final Pensionable Earnings, which is the highest pensionable salary earned for 365 consecutive days in the last 3 years. Benefits are earned at a rate of 1/70th of Final Pensionable Earnings for each year served. Where the consecutive 365 days is not in the current year, the pensionable salary is up-rated for inflation as appropriate. JSP 764 Part 1 (0304A) contains detailed information on calculating the Final Pensionable Earnings and adjusting previous years earnings for inflation.

AFPS 15

12. AFPS 15 replaced all existing Armed Forces pension schemes on 1 April 2015 and continues to be non-contributory. The pension is calculated using a system called Career Average Revalued Earnings (CARE) and the member's entitlement starts accumulating from the first day of paid service and is eligible to receive pension benefits provided they have completed at least 2 years qualifying service. This means that every year, the MOD adds an amount equal to 1/47th of the member's annual pensionable earnings for that year, to their individual 'pension pot'. The

[20] AFPS 75 Pension Codes
[21] Date when specialist pay spines were introduced.
[22] For Nurses and RN Clearance Divers the effective date is 1 Aug 09

‘pension pot’ starts to accumulate from the first day of pensionable paid service and is carried forward into each year where it is adjusted to ensure that it tracks inflation and maintains its value. The rights to pension benefits accrued in legacy Armed Forces pension schemes are protected: they will be linked to final pensionable salary/rank at the date of leaving the Services, not at the time of transfer to AFPS 15. Members of the Reserve Forces, including Part Time Volunteer Reserves, are also covered by AFPS 15.

Appendix II

Annual Allowance (AA) and Scheme Pays Examples

These examples are all taken from real cases which occurred in the previous most recently ended tax years, with all personally identifying information removed.
Each example is split into several parts, as necessary;

Part	Description
1	Pension calculations at start and end of AA Pension Input Period (PIP)
2	AA calculation – Pension Input Amount (PIA)
3	Relevant Prior Year PIAs & Information table – prior year PIAs are calculated exactly as shown in part 2 substituting CPI rates and AA limits for each of the relevant years. CPI/AA Rates are shown in the next table
4	HMRC BAU AA calculator or Remedy Adjustment Tool outputs (as appropriate)
5	Scheme Pays – initial debit conversion calculation assuming payment at age 65
6	Scheme Pays calculations – revaluation/adjustment of debit to age at date of retirement

CPI and AA Rates

Tax Year	10/11	11/12	12/13	13/14	14/15
CPI	1.10%	3.10%	5.20%	2.20%	2.70%
AA	£50,000	£50,000	£50,000	£50,000	£40,000

Tax Year	15/16	16/17	17/18	18/19	19/20
CPI	2.50%	0%	1%	3%	2.40%
AA	£40,000	£40,000	£40,000	£40,000	£40,000

Tax Year	20/21	21/22	22/23	23/24
CPI	1.70%	0.5%	3.1%	10.1%
AA	£40,000	£40,000	£40,000	£60,000

Summary of Detailed Worked Examples

The values and CPI rates reflected in the following examples are correct for each TY shown. They are provided for illustrative purposes only to show the methodology in calculating PIAs.

Example 1 – Unprotected OF5 member, who as a result of the retrospective element of the 2015 Pension Remedy has been rolled back to AFPS75 for service during the Remedy period up to 31 Mar 22 and from 1 Apr 22 is now a member of AFPS15. The OF5's AFPS Pension Input Amount for TY 23-24 is £17,253.19, which does not exceed the standard £60,000 AA limit for TY 23-24. The OF5 is not subject to a reduced/tapered AA limit under the tapering rules.

Example 2 – Protected OF5 MODO member, who retained legacy AFPS75 benefits for Service during the Remedy period up to 31 Mar 22 and as a result of the prospective element of the 2015 Pension Remedy became a member of AFPS15 effective from 1 Apr 22. The OF5 MODO's AFPS Pension Input Amount for TY 22-23 is £58,975.17 exceeds the standard £40,000 AA limit for TY 22-23 and the OF5 MODO is not subject to a reduced/tapered AA limit. The OF5 MODO has used Scheme Pays to pay AA tax charges in previous years, and having no unused AA carryover remaining to offset against their excess above AA in TY 22-23, again elects to use Scheme Pays to pay their AA tax charge for TY 22-23. The OF5 MODO subsequently retires on 31 Jul 23 with their AFPS05 pension in payment, and opts to claim their AFPS15 pension early on actuarially reduced terms. Their Scheme Pays reductions for both schemes are revalued to the OF5 MODO's age at date of retirement and applied to both pensions from that date.

Example 3 – Unprotected OF4 member, who as a result of the retrospective element of the 2015 Pension Remedy has been rolled back to AFPS75 for service during the Remedy period up to 31 Mar 22 and from 1 Apr 22 is now a member of AFPS15. The OF4's AFPS Pension Input Amount for TY 22-23 is £38,444,97, which does not exceed the standard £40,000 AA limit for TY 22-23. The OF4 is not subject to a reduced/tapered AA limit under the tapering rules.

Although the OF4 did not exceed the AA limit in TY 22-23, and would not normally be sent a PSS letter, they had previously paid AA tax charges for tax years during the Remedy Period, via Scheme Pays and direct personal payment to HMRC. Consequently, the OF4 was provided with a Remedy PSS letter showing their recalculated PIAs, based on legacy scheme accrual for the Remedy period instead of AFPS15, to enable them to use the HMRC Remedy Adjustment Tool to determine the required corrective adjustments.

DETAILED WORKED EXAMPLES

Example 1

OF5 unprotected member, who as a result of the retrospective element of the 2015 Pension Remedy has been rolled back to AFPS75 for service during the Remedy period up to 31 Mar 22 and from 1 Apr 22 is now a member of AFPS15.
The OF5's AFPS Pension Input Amount of £17,253.19 for TY 23-24 is calculated as shown in part 2 and does not exceed the standard £60,000 AA limit. They are not subject to a reduced/tapered AA limit under the tapering rules which applied in TY 23-24.

Example 1 Part 1 – Pension calculations

AFPS15 - pension is calculated on a Career Average Revalued Earnings (CARE) basis. This means that 1/47th of the member's pensionable pay is added to the "CARE Pot" each year, and each year whilst serving the CARE Pot is revalued in line with Average Weekly Earnings (AWE).

The OF5's AFPS15 CARE Pot, including 7% AWE revaluation for 22-23, had a value of **£2,197.62** at the start of TY 23-24. This is the AFPS15 pension start value on 6 Apr 23. During TY 23-24, the OF5 added £2,444.27 to their AFPS15 CARE Pot, bringing its value to £4,641.89. The AWE increase for 23-24 of 7.7% was then applied, which meant that the pension value at the end of TY 23-24 on 5 Apr 24 was **£4,999.32**.

AFPS75 benefits are calculated by reference to AFPS75 Pension Code Rates and Representative Rates of Pay for Rank, and length of reckonable service.
The OF5 has completed 18 years 113 days service up to 31 Mar 22 (when their AFPS75 legacy scheme pension accrual ceases) and a total of 19 year 118 days pensionable service up until 5 Apr 24.

The applicable rates for the calculation of AFPF75 opening values as at 5 Apr 23 for AA purposes in TY 23-24 are the 2022 Pension Code rates. This is due to use of the HMRC countermeasure to mitigate the impact of the delay in implementation of the 2023 pay and pension rate increases.

The opening value as at 5 Apr 23 is calculated as follows;

Calculation A – Compulsory rates, based on 18 years 113 days service up to 31 Mar 22	
AFPS75 Pension Code Compulsory rate for 19 completed years' service at OF5	= £31,637
AFPS75 Pension Code Compulsory rate for 18 completed years' service at OF5	= £30,362
Difference between 19 and 18 year OF5 Compulsory rate £31,637- £30,362	= £1,275
Pension for part completed year £1275 / 365 x 113	= £394.73
Pension Value A £30,362 + £394.73	= £30,756.73

Calculation B – Representative Rates of Pay, based on 19 years 118 days <u>total</u> pensionable service	
AFPS75 Pension Code RRoP rate for 20 completed years' service at OF5	= £99,158
AFPS75 Pension Code RRoP rate for 19 completed years' service at OF5	= £98,764
Difference between 20 and 19 year OF5 RRoP rate £59,327 - £59,045	= £394
Pension for part completed year £394 / 365 x 118	= £127.37
Pension Value B £98,764 + £127.37	= £98,891.37

Calculation C - Representative Rates, based on 18 years 113 days service up to 31 Mar 22	
AFPS75 Pension Code RRoP rate for 19 completed years' service at OF5	= £98,764
AFPS75 Pension Code RRoP rate for 18 completed years' service at OF5	= £98,370
Difference between 19 and 18 year OF5 RRoP rate £98,764 - £98,370	= £394
Pension for part completed year £394 / 365 x 113	= £121.98
Pension Value C £98,370 + £121.98	= £98,491.98

Calculation D – Base pension value at start of TY 23-24

The base pension is Pension Value D and is calculated using the pension values from calculations A, B and C in the formula B / C x A = D, where
Base pension = Pension Value B / Pension Value C x Pension Value A

Pension £98,891.37 / £98,491.98 x £30,756.73 = £30,881.45

Lump sum £30,881.45 x 3 = £92,644.35

The applicable rates for the calculation of AFPF75 closing values as at 5 Apr 24 for AA purposes in TY 23-24 are the 2023 Pension Code rates. This is due to use of the HMRC countermeasure to mitigate the impact of the delay in implementation of the 2024 pay and pension rate increases.

The closing value as at 5 Apr 24 is calculated as follows;

Calculation A – Compulsory rates, based on 18 years 113 days service up to 31 Mar 22	
AFPS75 Pension Code rate for 19 completed years' service at OF5	= £33,537
AFPS75 Pension Code rate for 18 completed years' service at OF5	= £32,187
Difference between 19 and 18 year OF5 rate £33,537 - £32,187	= £1,350
Pension for part completed year £1,350 / 365 x 113	= £417.95
Pension Value A £32,187 + £417.95	= £32,604.95

Calculation B – Representative Rates, based on 20 years 119 days <u>total</u> pensionable service	
AFPS75 Pension Code RRoP rate for 20 completed years' service at OF5	= £105,116
AFPS75 Pension Code RRoP rate for 19 completed years' service at OF5	= £104,702
Difference between 20 and 19 year OF5 RRoP rate £105,116 - £104,702	= £414
Pension for part completed year £414 / 366 x 119	= £134.61
Pension Value B £104,702 + £134.61	= £104,836.61

Calculation C - Representative Rates, based on 18 years 113 days service up to 31 Mar 22	
AFPS75 Pension Code RRoP rate for 19 completed years' service at OF5	= £104,702
AFPS75 Pension Code RRoP rate for 18 completed years' service at OF5	= £104,289
Difference between 19 and 18 year RRoP rate £104,702 - £104,289	= £413
Pension for part completed year £413 / 365 x 113	= £127.51
Pension Value C £104,289 + £127.51	= £104,416.51

Calculation D – Base pension value at end of TY 23-24

The base pension is Pension Value D and is calculated using the pension values from calculations A, B and C in the formula B / C x A = D, where
Base pension = Pension Value B / Pension Value C x Pension Value A

Pension £104,836.61 / £104,416.51 x £32,604.95 = £32,736.13

Lump sum £32,736.13 x 3 = £98,208.39

Example 1 Part 2 – Pension Input Amount calculation (PIA) for TY 23-24 (as shown on Annex A to PSS letter)

These figures show the calculation of the OF5's PIA of £17,253.19 for TY 23-24, which does not exceed the standard £60,000 AA limit.

The total value of OF5 pension pot at 6 April 2023	
£2,197.62 (AFPS15 pension) x 16 + 10.1% CPI	= £38,713.27
plus	
£30,881.45 (AFPS75 pension) x 16 + £92,644.35 (AFPS75 lump sum) + 10.1% CPI	= £646,009.05
The total value of OF5 pension pot at 6 April 2024	
£4,999.32 (AFPS15 pension) x 16	= £79,989.05
plus	
£32,736.13 (AFPS75 pension) x 16 + £98,208.39 (AFPS75 lump sum)	= £621,986.47
Pension Input Amount (PIA) for all OF5 AFPS benefits for Tax Year 2023-24	
AFPS 15 PIA £79,989.05 - £38,713.27	= £41,275.77
plus	
Legacy Scheme PIA £621,986.47 - £646,009.05	= (- £24,022.58)
AFPS PIA £41,275.77 + (- £24,022.58)	**= £17,253.19**

The OF5 is not subject to a reduced/tapered AA limit. This is because their threshold Income of £ 114,290.18 (which includes but may not be limited to total taxable earnings from Service pay, as shown on JPA P60) does not exceed the tapering threshold of £200,000 for TY 23-24. Consequently, tapering does not apply.

The OF5 will not receive an AA Pension Savings Statement letter for TY 23-24, and no further action is required of them.

Example 2

Protected OF5 MODO member, who retained legacy AFPS05 benefits for Service during the Remedy period up to 31 Mar 22 and as a result of the prospective element of the 2015 Pension Remedy became a member of AFPS15 effective from 1 Apr 22. The OF5 MODO's AFPS Pension Input Amount for TY 22-23 is £58,975.17 which exceeds the standard £40,000 AA limit for TY 22-23. The OF5 MODO is not subject to a reduced/tapered AA limit.
The OF5 MODO has used Scheme Pays to pay AA tax charges in previous years, and having no unused AA carryover remaining to offset against their excess above AA in TY 22-23, again elects to use Scheme Pays to pay their AA tax charge for TY 22-23. The OF5 MODO subsequently retires on 31 Jul 23 with their AFPS05 pension in payment, and opts to claim their AFPS15 pension early on actuarially reduced terms. Their Scheme Pays reductions for both schemes are revalued to the OF5 MODO's age at date of retirement and applied to both pensions from that date.

Example 2 Part 1 – Pension calculations

AFPS15 - pension is calculated on a Career Average Revalued Earnings (CARE) basis. This means that 1/47th of the member's pensionable pay is added to the "CARE Pot" each year, and each year whilst serving the CARE Pot is revalued in line with Average Weekly Earnings (AWE).
The OF5 MODO's AFPS15 CARE Pot, including AWE revaluation for 21-22, had a value of **£0.00** at the start of TY 22-23. This is the AFPS15 pension start value on 6 Apr 22.
During TY 22-23, the OF5 MODO added £3,253.23 to their AFPS15 CARE Pot, bringing its value to £3,253.23. The AWE increase for 22-23 of 7% was then applied, which meant that the pension value at the end of the TY on 5 Apr 23 was **£3,480.96**.
AFPS05 benefits are calculated by reference to Final Relevant Earnings (FRE) and accrue at 1/70th of FRE for each year of reckonable service until 31 Mar 22.

At the start of TY 22-23 on 6 Apr 22, the OF5 MODO had completed 14 years and 174 days service as at 31 Mar 22 and their FRE was £147,474.83. The pension value at the start of TY 22-23 was therefore calculated as follows:

Pension (FRE x service / 70)	**= £147,474.83 x 14.4767 / 70**	**= £30,499.30**
Lump sum (pension x 3)	**= £30,499.30 x 3**	**= £91,497.89**

At the end of TY 22-23 on 5 Apr 23, the OF5 MODO had completed 14 years and 169 days service as at 5 Apr 23 and their FRE was £153,026.04. The pension value at the end of TY 22-23 was therefore calculated as follows:

FRE x service / 70	**= £153,026.04 x 14.4630 / 70**	**= £31,617.40**
Lump sum (pension x 3)	**= £31,617.40 x 3**	**= £94,852.19**

Example 2 Part 2 – Pension Input Amount calculation (PIA) for TY 22-23 (as shown on Annex A to PSS letter)

These figures show the calculation of the OF5 MODO's PIA of £58,975.17 for TY 22-23. This meant they exceed the standard £40,000 AA limit by £18,975.17.	
The total value of OF5 MODO pension pot at 6 April 2022	
£0.00 (AFPS15 pension) x 16 + 3.1% CPI	= £0.00
plus	
£30,499.30 (AFPS05 pension) x 16 + £91,497.90 (AFPS05 lump sum) + 3.1% CPI	= £597,450.79
The total value of OF5 MODO pension pot at 5 April 2023	
£3,480.96 (AFPS15 pension) x 16	= £55,695.36
plus	
£31,617.40 (AFPS05 pension) x 16 + £94,852.20 (AFPS05 lump sum) + 3.1% CPI	= £600,730.60
Pension Input Amount (PIA) for all OF5 MODO AFPS benefits for Tax Year 2022-23	
AFPS15 PIA £55,695.36 - £ 0.00	= £55,695.36
Legacy scheme PIA £600,730.60 - £597,450.79	= £3,279.81
AFPS Pension Input Amount **£55,695.36 + £3,279.81**	**= £58,975.17**

The OF5 MODO is not subject to a reduced/tapered AA limit. This is because their threshold Income of £152,224.74 (which includes but may not be limited to total taxable earnings from Service pay, as shown on JPA P60) does not exceed the tapering threshold of £200,000 for TY 22-23. Consequently, tapering does not apply.

However, the OF5 MODO may have additional income and/or pension benefits in other schemes – likely including NHS - which could also mean their AA is reduced due to tapering, and ultimately, increasing their excess above their individual tapered AA limit.

Example 2 Part 3 - Prior Year PIAs & Info table (as shown on Annex B to PSS letter)

Tax Year	Standard AA Limit	AFPS PIA	Threshold Income – Service Pay	Adjusted Income – AFPS & Service Pay
2011-12	£50,000	£46,155.81	Not applicable	Not applicable
2012-13	£50,000	£48,302.05	Not applicable	Not applicable
2013-14	£50,000	£45,478.47	Not applicable	Not applicable
2014-15	£40,000	£40,970.14	Not applicable	Not applicable
Between 6 Apr 15 and 8 July 15	£80,000	£12,628.21	Not applicable	Not applicable
Between 9 Jul 15 and 5 Apr 16	Maximum of £40,000 unused AA between 6 Apr 15 and 8 July 15	£34,695.66	Not applicable	Not applicable
2016-17	£40,000	£43,688.41	£131,962.45	£175,650.86
2017-18	£40,000	£39,970.31	£134,578.33	£174,548.64
2018-19	£40,000	£37,964.76	£139,237.76	£177,202.52
2019-20	£40,000	£40,372.74	£142,594.38	£182,967.12
2020-21	£40,000	£43,778.14	£146,029.59	£189,807.73
2021-22	£40,000	£40,029.08	£146,409.59	£186,438.67
2022-23	£40,000	£58,975.17	£152,224.74	£211,199.91

Example 2 Part 4 - HMRC BAU AA calculator outputs (based on inputs from Part 3)

6 April 2022 to 5 April 2023

Your result	Amount
Available annual allowance	£40,000
Available money purchase annual allowance	£0
Pension savings	£58,975
Amount on which tax is due	£18,975
Unused annual allowance	£0

6 April 2021 to 5 April 2022

Your result	Amount
Available annual allowance	£40,000
Available money purchase annual allowance	£0
Pension savings	£40,029
Amount on which tax is due	£29
Unused annual allowance	£0

6 April 2020 to 5 April 2021

Your result	Amount
Available annual allowance	£40,000
Available money purchase annual allowance	£0
Pension savings	£43,778
Amount on which tax is due	£3,778
Unused annual allowance	£0

6 April 2019 to 5 April 2020

Your result	Amount
Available annual allowance	£23,517
Available money purchase annual allowance	£0
Pension savings	£40,372
Amount on which tax is due	£16,855
Unused annual allowance	£0

6 April 2018 to 5 April 2019

Your result	Amount
Available annual allowance	£26,399
Available money purchase annual allowance	£0
Pension savings	£37,964
Amount on which tax is due	£11,565
Unused annual allowance	£0

6 April 2017 to 5 April 2018

Your result	Amount
Available annual allowance	£27,726
Available money purchase annual allowance	£0
Pension savings	£39,970
Amount on which tax is due	£12,244
Unused annual allowance	£0

6 April 2016 to 5 April 2017

Your result	Amount
Available annual allowance	£37,002
Available money purchase annual allowance	£0
Pension savings	£43,688
Amount on which tax is due	£6,686
Unused annual allowance	£0

9 July 2015 to 5 April 2016

Your result	Amount
Available annual allowance	£46,220
Available money purchase annual allowance	£0
Pension savings	£34,695
Amount on which tax is due	£0
Unused annual allowance	£9,827

6 April 2015 to 8 July 2015

Your result	Amount
Available annual allowance	£86,220
Available money purchase annual allowance	£0
Pension savings	£12,628
Amount on which tax is due	£0
Unused annual allowance	£46,220

6 April 2014 to 5 April 2015

Your result	Amount
Available annual allowance	£50,065
Available money purchase annual allowance	£0
Pension savings	£40,970
Amount on which tax is due	£0
Unused annual allowance	£6,220

6 April 2013 to 5 April 2014

Your result	Amount
Available annual allowance	£55,543
Available money purchase annual allowance	£0
Pension savings	£45,478
Amount on which tax is due	£0
Unused annual allowance	£10,065

6 April 2012 to 5 April 2013

Your result	Amount
Available annual allowance	£53,845
Available money purchase annual allowance	£0
Pension savings	£48,302
Amount on which tax is due	£0
Unused annual allowance	£5,543

6 April 2011 to 5 April 2012

Your result	Amount
Available annual allowance	£50,000
Available money purchase annual allowance	£0
Pension savings	£46,155
Amount on which tax is due	£0
Unused annual allowance	£3,845

These figures show:

- that the OF5 MODO was not subject to a reduced AA limit for TY 22-23 due to tapering, as a result of their income.

- the effect of offsetting via carryover of unused AA from previous years.

- show that the OF5 MODO is liable to pay an AA tax charge in TY 22-23 because after paying a tax charge in 21-22, they had no unused AA carryover available from previous years to use for offsetting against their excess above the AA limit in 22-23

Additionally, the OF5 MODO may have additional income, pension schemes or non-taxable deductions in any of these TYs, of which the AFPS is unaware. Each of these would make a difference to the outcome, so the OF5 MODO needs to add these if they exist and then run the calculation again using the combined amounts.
These figures show:

- that the OF5 MODO is not subject to a reduced AA limit for TY 22-23 due to tapering.

- the effect of offsetting unused AA carried forward from previous years against the excess in each tax year.

- that the OF5 MODO has used up all available carryover from previous years.

This meant the OF5 MODO had no unused AA carryover available to fully offset against their excess above the AA limit in TY 22-23.

Consequently, the HMRC AA calculator shows that the amount on which the OF5 MODO was liable to pay tax on was £18,975 for TY 22-23.

The amount of tax payable would be calculated at their marginal tax rate, which their Service income indicated would be between 40% and 45%.

This indicates that the amount payable by the OF5 MODO as an AA tax charge would be expected to be in the region of £7,590 and £8,538.75 - assuming they had no other additional income, non-AFPS pension schemes or non-taxable deductions (each of which could change the amount of tax payable).

Example 2 Part 5 - Scheme Pays – initial debit conversion calculation (assuming payment at age 65)

The OF5 MODO subsequently left the Service on 31 Jul 23 and registered their interest in using Scheme Pays. The amount they requested was £8,538.00.

The AFPS can accept and pay the amount requested, because it does not exceed 45% of their AFPS PIA.

The requested amount of £8,538.00 is then apportioned between AFPS15 and AFPS05 in the proportion that each of the schemes contributed to the OF5 MODO's PIA. This calculation is as follows;

AFPS15	Amount payable * AFPS15 PIA / AFPS PIA	£8,538.00 x £55,695.36 / £58,975.17	=£8,063.17
AFPS05	Amount payable * AFPS05 PIA / AFPS PIA	£8,538.00 x £3,279.81/ £58,975.17	=£474.83

The AFPS15 amount is then rounded up to £8,064.00 as this is the nearest whole pound and the AFPS05 pension is then rounded down £474.00 as this is the nearest whole pound. This is because HMRC require that all amounts due must be reported and paid to them in whole pounds only. No further rounding is done in subsequent Scheme Pays calculations.

The OF5 MODO was age 59 on the relevant date of 5 Apr 23, the end of the TY to which the debit (reduction) applies. The OF5 MODO had retired by the time they notified their Scheme Pays decision with pensions from both AFPS05 and AFPS 15 in payment, and they had also by then already received their legacy scheme lump sum payment, so the AFPS05 Scheme Pays reduction could only be applied to the AFPS05 pension.

In these circumstances the initial debit factor for both schemes is taken from Table x-1202 "pension only default conversion" actuarial factors, which for a member aged 59 is 14.61. This factor assumes (for simplicity across schemes) that the pension and its associated Scheme Pays reduction starts from age 65.

The initial debits apportioned to the AFPS15 and AFPS05 elements of the OF5 MODO's pensions - assuming payment from age 65 - are therefore calculated as follows;

AFPS05 age 65 Pension debit	**£474.83 / 14.61**	**= £32.44 per year**
AFPS15 Age 65 Pension debit	**£8,063.17 / 14.61**	**= £551.95 per year**

Example 2 Part 6 - Scheme Pays – revaluation/adjustment of debit to age at date of retirement

When the OF5 MODO's pensions are payable, their initial "age 65" Scheme Pays debit amounts are revalued using actuarial adjustment factors, which vary depending on retirement type. CPI is also applied between the effective date of the initial "age 65" debit (the end of the TY to which the debit relates) and its revaluation date (which is the day after date of retirement).

The adjusted debit values – i.e. the reductions to be permanently applied to the annual pensions – are then applied with effect from the date of retirement, with effect from the date on which each of the relevant elements of the pension benefits become payable.

In the OF5 MODO's case the actuarial revaluation of the both pensions happen immediately due to their retirement on 31 July 23. The revaluation is carried out using the appropriate factor, which in the OF5 MODO's case is the "good health retirement adjustment" pension factor of 0.760 for a member aged 60 years of age on 1 Aug 23 (day after the OF5 MODO's date of retirement on 31 Jul 23) taken from Table x-1203.

CPI is then applied between the effective date of the initial "age 65" debit (5 Apr 23) and its revaluation date, which again is the day after the OF5 MODO's date of retirement on 31 July 23.

The result is the adjusted Scheme Pays debit – i.e. the reduction to be permanently applied to the OF5 MODO's annual pensions with effect from their date of retirement on 31 Jul 23. Thse are calculated as follows;

Adjusted AFPS05 pension debit
£32.44 x 0.760 x 1.000 (i.e. 0% CPI between 5 Apr 23 and 1 Aug 23) = £24.65 per year.
Adjusted AFPS15 pension debit
£551.95 x 0.760 x 1.000 (i.e. 0% CPI between 5 Apr 23 and 1 Aug 23) = £419.48 per year.

The OF5 MODO's AFPS05 and AFPS15 pensions were then immediately reduced by these amounts with effect from 1 Aug 23.

Example 3

Unprotected OF4 member, who as a result of the retrospective element of the 2015 Pension Remedy has been rolled back to AFPS75 for service during the Remedy period up to 31 Mar 22 and from 1 Apr 22 is now a member of AFPS15. The OF4's AFPS Pension Input Amount for TY 22-23 is £38,444,97, which does not exceed the standard £40,000 AA limit for TY 22-23. The OF4 is not subject to a reduced/tapered AA limit under the tapering rules.

Although the OF4 did not exceed the AA limit in TY 22-23, and would not normally be sent a PSS letter, they had previously paid AA tax charges for tax years during the Remedy Period, via Scheme Pays and direct personal payment to HMRC. Consequently, the OF4 was provided with a Remedy PSS letter showing their recalculated PIAs, based on legacy scheme accrual for the Remedy period instead of AFPS15, to enable them to use the HMRC Remedy Adjustment Tool to determine the required corrective adjustments.

This example includes inputs and outputs from the HMRC Remedy Adjustment Tool, which ultimately show that the recalculated PIAs resulted in the elimination of all of the AA tax charges paid by the OF4 during the Remedy period. The end result for the OF4 is indirect compensation, in the form of the cancellation of Scheme Pays reductions, and direct compensation in the form of a refund from HMRC in respect of the OF4's direct personal payment.

Example 3 Part 1 – Pension calculations

AFPS15 - pension is calculated on a Career Average Revalued Earnings (CARE) basis. This means that 1/47th of the member's pensionable pay is added to the "CARE Pot" each year, and each year whilst serving the CARE Pot is revalued in line with Average Weekly Earnings (AWE).

The OF4's AFPS15 CARE Pot had a value of **£0.00** at the start of TY 22-23. This is the AFPS15 pension start value on 6 Apr 22.

During TY 22-23, the OF4 added £1,787.22 to their AFPS15 CARE Pot, bringing its value to £1,787.22. The AWE increase for 22-23 of 7% was then applied, which meant that the pension value at the end of the TY on 5 Apr 23 was **£1912.33**.

AFPS75 benefits are calculated by reference to AFPS75 Pension Code Rates and Representative Rates of Pay for Rank, and length of reckonable service.
The OF5 has completed 18 years 113 days service up to 31 Mar 22 (when their AFPS75 legacy scheme pension accrual ceases) and a total of 19 year 118 days pensionable service up until 5 Apr 24.

The applicable rates for the calculation of AFPF75 opening values as at 5 Apr 22 for AA purposes in TY 22-23 are the 2021 Pension Code rates. This is due to use of the HMRC countermeasure to mitigate the impact of the delay in implementation of the 2022 pay and pension rate increases.

The opening value as at 5 Apr 22 is calculated as follows;

Calculation A – Compulsory rates, based on 23 years 80 days service up to 31 Mar 22	
AFPS75 Pension Code Compulsory rate for 24 completed years' service at OF4	= £31,219
AFPS75 Pension Code Compulsory rate for 23 completed years' service at OF4	= £30,086
Difference between 19 and 18 year OF4 Compulsory rate £31,219 - £30,086	= £1,133
Pension for part completed year £1,133 / 365 x 80	= £248.33
Pension Value A £30,086 + £248.33	= £30,334.33

Calculation B – Representative Rates of Pay, based on 23 years 80 days <u>total</u> pensionable service	
AFPS75 Pension Code RRoP rate for 24 completed years' service at OF4	= £81,627
AFPS75 Pension Code RRoP rate for 23 completed years' service at OF4	= £82,181
Difference between 24 and 23 year OF4 RRoP rate £82,181- £81,627	= £554
Pension for part completed year £554 / 365 x 80	= £121.42
Pension Value B £81,627 + £121.42	= £81,748.42

Calculation C - Representative Rates, based on 23 years 80 days service up to 31 Mar 22	
AFPS75 Pension Code RRoP rate for 24 completed years' service at OF4	= £81,627
AFPS75 Pension Code RRoP rate for 23 completed years' service at OF4	= £82,181
Difference between 24 and 23 year OF4 RRoP rate £82,181- £81,627	= £554
Pension for part completed year £554 / 365 x 80	= £121.42
Pension Value B £81,627 + £121.42	= £81,748.42

Calculation D – Base pension value	
The base pension is Pension Value D and is calculated using the pension values from calculations A, B and C in the formula B / C x A = D, where	
Base pension = Pension Value B / Pension Value C x Pension Value A	
Pension £81,748.42 / £81,748.42 x £30,334.33	**= £30,334.33**
Lump sum £30,881.45 x 3	**= £91,002.99**

The applicable rates for the calculation of AFPF75 closing values as at 5 Apr 23 for AA purposes in TY 22-23 are the 2022 Pension Code rates. This is due to use of the HMRC countermeasure to mitigate the impact of the delay in implementation of the 2023 pay and pension rate increases.

The closing value as at 5 Apr 23 is calculated as follows;

Calculation A – Compulsory rates, based on 23 years 80 days service up to 31 Mar 22	
AFPS75 Pension Code Compulsory rate for 24 completed years' service at OF4	= £32,389
AFPS75 Pension Code Compulsory rate for 23 completed years' service at OF4	= £31,214
Difference between 19 and 18 year OF4 Compulsory rate £32,389 - £31,214	= £1,175
Pension for part completed year £1,175 / 365 x 80	= £257.54
Pension Value A £31,214 + £257.54	= £31,471.54

Calculation B – Representative Rates of Pay, based on 24 years 85 days <u>total</u> pensionable service	
AFPS75 Pension Code RRoP rate for 25 completed years' service at OF4	= £85,837
AFPS75 Pension Code RRoP rate for 24 completed years' service at OF4	= £85,263
Difference between 24 and 23 year OF4 RRoP rate £85,837 - £85,263	= £574
Pension for part completed year £574/ 365 x 85	= £133.67
Pension Value B £85,263 + £133.67	= £85,396.67

Calculation C - Representative Rates, based on 23 years 80 days service up to 31 Mar 22	
AFPS75 Pension Code RRoP rate for 24 completed years' service at OF4	= £85,263
AFPS75 Pension Code RRoP rate for 23 completed years' service at OF4	= £84,688
Difference between 24 and 23 year OF4 RRoP rate £85,263 - £84,688	= £575
Pension for part completed year £575/ 365 x 80	= £126.03
Pension Value B £84,688 + £126.03	= £84,814.03

Calculation D – Base pension value	
The base pension is Pension Value D and is calculated using the pension values from calculations A, B and C in the formula B / C x A = D, where Base pension = Pension Value B / Pension Value C x Pension Value A	
Pension £85,396.67 / £84,814.03 x £31,471.54	**= £31,687.73**
Lump sum £31,687.73 x 3	**= £95,063.20**

Example 3 Part 2 – Pension Input Amount calculation (PIA) for TY 22-23 (as shown on Annex B to Remedy PSS letter)

These figures show the calculation of the OF4's PIA of £38,444.97 for TY 22-23. This meant they did not exceed the standard £40,000 AA limit.

The total value of OF4 pension pot at 6 April 2022	
£0.00 (AFPS15 pension) x 16 + 3.1% CPI	= £0.00
plus	
£30,334.33 (AFPS75 pension) x 16 + £91,002.99 (AFPS75 lump sum) + 3.1% CPI	= £594,219.19
The total value of OF4 pension pot at 5 April 2023	
£1,912.33 (AFPS15 pension) x 16	= £30,597.28
plus	
£31,687.73 (AFPS75 pension) x 16 + £95,063.20 (AFPS75 lump sum)	= £602,066.88
Pension Input Amount (PIA) for all OF4 AFPS benefits for Tax Year 2022-23	
AFPS15 PIA £30,597.28 - £ 0.00	= £30,597.28
Legacy scheme PIA £602,066.88 - £594,219.19	= £7,847.69
AFPS Pension Input Amount **£30,597.28 + £7,847.69**	**= £38,444.97**

The OF4 is not subject to a reduced/tapered AA limit. This is because their threshold Income of £121,780.38 (which includes but may not be limited to total taxable earnings from Service pay, as shown on JPA P60) does not exceed the tapering threshold of £200,000 for TY 22-23. Consequently, tapering does not apply.

However, the OF4 may have additional income and/or pension benefits in other schemes – which could also mean their AA is reduced due to tapering, and ultimately, this could increase their excess above their individual tapered AA limit.

Example 3 Part 3 – Information required for the HMRC Remedy Adjustment Tool including TY 22-23 (as shown on Annex A1 to Remedy PSS letter)

Although the OF4 did not exceed the AA limit in TY 22-23, and would not normally be sent a PSS letter, they had previously paid AA tax charges for tax years during the Remedy Period, via Scheme Pays and direct personal payment to HMRC, based on their pre-rollback position Consequently, the OF4 was provided with a Remedy PSS letter showing their recalculated post-rollback PIAs, based on legacy scheme accrual for the Remedy period instead of AFPS15. The remedy PSS also shows the Scheme Pays totals paid. It does not show the £2,734 tax charge the member paid directly to HMRC in TY 2021/22. The member would have this information from their own records. This Remedy PSS is required to enable the OF4 to determine and submit the required corrective adjustments via the online HMRC Remedy Adjustment Tool. The details are provided at Annex A1 to the Remedy PSS letter and for the OF4 are as shown below.

Tax Year	AA Limit	Pension Input Amount (PIA)	Threshold Income	Adjusted Income	Scheme Pays – Total amount paid
10-11	£50,000	£11,169.33	Not required	Not required	Not required
11-12	£50,000	£15,305.83	Not required	Not required	Not required
12-13	£50,000	£7,134.24	Not required	Not required	Not required
13-14	£50,000	£14,486.50	Not required	Not required	Not required
14-15	£40,000	£43,642.74	Not required	Not required	Not required
15-16 pre-alignment	£80,000	£2,635.44	Not required	Not required	Not required
15-16 post-alignment	£40,000 max carryover	£7,240.80	Not required	Not required	£0.00
16-17	£40,000	£17,362.77	£59,030.11	£76,392.88	£0.00
17-18	£40,000	£17,838.60	£59,745.61	£77,584.21	£0.00
18-19	£40,000	£3,947.16	£71,845.33	£75,792.49	£0.00
19-20	£40,000	£87,408,29	£75,131.26	£162,539.55	£1,888.00
20-21	£40,000	£67,574.07	£76,342.78	£143,916.85	£11,506,00
21-22	£40,000	£34,509.48	£78,324.65	£112,834.13	£0.00
22-23	£40,000	£38,444.97	£83,335.41	£121,780.38	£0.00

Example 3 Part 4 – HMRC Remedy Adjustment Tool outputs (based on inputs from Part 3)

Below is a summary of the outputs from the HMRC Remedy Adjustment Tool, based on the inputs shown in part 2 of this example. In the OF4's case, the output confirms that the recalculated PIAs have resulted in the elimination of all of the AA tax charges previously paid by the OF4 during the Remedy period.

Consequently, to correct matters, the OF4 will receive indirect compensation, in the form of the cancellation of two Scheme Pays reductions, and direct compensation in the form of a refund paid directly by HMRC into the OF4's bank account in respect of the tax charge which the OF4 paid to HMRC via direct personal payment. An example of the calculation output is shown below.

GOV.UK

< Back

Calculation results

These results are based on the answers you gave at the time of this calculation for annual allowance.

Your result	Amount
Total amount of compensation	0
Total increase in tax charges	0
Total decrease in tax charges	16128

6 April 2015 to 5 April 2019 does not include compensation while 6 April 2019 to 5 April 2023 does not.

Annual results

You can review the details for each year from your calculation. This includes compensation as well changes in tax charges.

It is not a resubmission

6 April 2015 and 5 April 2016

Your result	Amount
Previous annual allowance tax charge amount paid by your scheme	0

https://www.tax.service.gov.uk/public-pension-adjustment/calculation-result#print 18/10/2024, 14:13 Page 1 of 7

Previous annual allowance tax charge amount that you paid	0
Updated annual allowance tax charge amount	0
Updated amount on which tax is due	0
Amount of compensation that will be paid to you	0
Amount of compensation that will be paid as an increase to your scheme benefits	0
Unused annual allowance	68274

6 April 2016 and 5 April 2017

Your result	Amount
Previous annual allowance tax charge amount paid by your scheme	0
Previous annual allowance tax charge amount that you paid	0
Updated annual allowance tax charge amount	0
Updated amount on which tax is due	0
Amount of compensation that will be paid to you	0
Amount of compensation that will be paid as an increase to your scheme benefits	0
Unused annual allowance	55398

6 April 2017 and 5 April 2018

https://www.tax.service.gov.uk/public-pension-adjustment/calculation-result#print 18/10/2024, 14:13 Page 2 of 7

Your result	Amount
Previous annual allowance tax charge amount paid by your scheme	0
Previous annual allowance tax charge amount that you paid	0
Updated annual allowance tax charge amount	0
Updated amount on which tax is due	0
Amount of compensation that will be paid to you	0
Amount of compensation that will be paid as an increase to your scheme benefits	0
Unused annual allowance	77560

6 April 2018 and 5 April 2019

Your result	Amount
Previous annual allowance tax charge amount paid by your scheme	0
Previous annual allowance tax charge amount that you paid	0
Updated annual allowance tax charge amount	0
Updated amount on which tax is due	0
Amount of compensation that will be paid to you	0
Amount of compensation that will be paid as an increase to your scheme benefits	0
Unused annual allowance	80853

6 April 2019 and 5 April 2020

Your result	Amount
Previous annual allowance tax charge amount paid by your scheme	1888
Previous annual allowance tax charge amount that you paid	0
Updated annual allowance tax charge amount	0
Updated amount on which tax is due	0
Amount of reduced tax charge that will be paid to you	0
Amount of reduced tax charge that will be paid as an increase to your scheme benefits	1888
Amount of increased tax charge that is due to HMRC	0
Unused annual allowance	33445

6 April 2020 and 5 April 2021

Your result	Amount
Previous annual allowance tax charge amount paid by your scheme	11506
Previous annual allowance tax charge amount that you paid	0
Updated annual allowance tax charge amount	0
Updated amount on which tax is due	0
Amount of reduced tax charge that will be paid to you	0
Amount of reduced tax charge that will be paid as an increase to your scheme benefits	11506
Amount of increased tax charge that is due to HMRC	0
Unused annual allowance	5871

6 April 2021 and 5 April 2022

Your result	Amount
Previous annual allowance tax charge amount paid by your scheme	0
Previous annual allowance tax charge amount that you paid	2734
Updated annual allowance tax charge amount	0
Updated amount on which tax is due	0
Amount of reduced tax charge that will be paid to you	2734
Amount of reduced tax charge that will be paid as an increase to your scheme benefits	0
Amount of increased tax charge that is due to HMRC	0
Unused annual allowance	5491

6 April 2022 and 5 April 2023

Your result	Amount
Previous annual allowance tax charge amount paid by your scheme	0
Previous annual allowance tax charge amount that you paid	0
Updated annual allowance tax charge amount	0
Updated amount on which tax is due	0
Amount of reduced tax charge that will be paid to you	0
Amount of reduced tax charge that will be paid as an increase to your scheme benefits	0
Amount of increased tax charge that is due to HMRC	0
Unused annual allowance	7047

Print your results

Print your results You will need to do this as you will not be able to return to your results at a later date.

What happens next

To submit the information, you will need sign in to your Government Gateway account and provide:

- your personal details
- details of your public sector schemes
- details of changes to your lifetime allowance charges, if applicable
- details of any other compensation you are claiming
- declarations to confirm the information you have given is correct

Once completed, your submission must be sent to HMRC.

You are due a refund for tax charges, HMRC will pay this using the bank details you provide on your adjustment.

If you do not sign in to your Government Gateway, your results will not be saved and you will need to complete the calculator again.

Continue to sign in

Appendix III

Annual Allowance (AA) – Frequently Asked Questions (FAQs)

Q1 - As I have received this letter does this mean I have a tax charge and do I have to complete a self-assessment tax return?

A1 - Normally Veterans UK will write to you if you have exceeded the Annual Allowance limit of £40K in any Tax Year in respect of your AFPS pension, or if you are subject to a reduced Annual Allowance due to tapering, based on your Service income. This does not automatically mean you have a tax charge, because you are allowed to carry over unused AA from the previous 3 Tax Years, and you may also be subject to a reduced AA limit due to other income or pension scheme memberships, all of which also affect your AA position. For members affected by the rollback element of the 2015 Pension Remedy, special arrangements apply for corrections to tax charges for the Remedy period and for Tax Year 2022-23. You must use the information provided in your Remedy PSS letter provided by Veterans UK in conjunction with relevant information about other pension schemes and income and check on the HMRC Remedy Adjustment Tool to check and correct your tax position. You do not need to complete a self-assessment tax return for Tax Year 2022-23, and you should not amend or correct self-assessment tax returns submitted for previous years.

Q2 – What happens to my tax position when I crystallise my pension (after 1 October 2023) if I choose to retain my Reformed AFPS 2015 benefits instead of being rolled back to legacy scheme for the Remedy period?

A2 - Your tax position for the Remedy period will not be re-visited as a result of any choice you make. If you choose AFPS 15 benefits, then in the Tax Year that your benefits are taken, for the purpose of calculating your PIA when assessing your AA, the pension opening value will be calculated using your legacy benefits. The closing value will be calculated using the lower of the value of your legacy scheme benefits and your AFPS 15 benefits, and if your PIA then exceeds the AA (currently £60,000) a PSS letter would be issued for that Tax Year.

Q3 - What additional information do I need when using the HMRC Remedy Adjustment Tool?

A3 - You must enter the relevant Pension Scheme Tax Reference Number for your AFPS scheme. This is:

00817591RA

Q4 - What happens if I have already completed a self-assessment tax return before I get a Remedy PSS letter from Veterans UK?

A4 - If you are a deferred or active member and were rolled back to your legacy pension scheme and have prematurely followed the normal Business As Usual AA process and submitted an SATR to report a new AA tax charge for Tax Year 2022-23 you should cancel/withdraw the SATR and follow the instructions in your Remedy PSS and the step by step guide via the link provided.

Q5 - What do I do if I have other pensions or earnings that Veterans UK are unaware of?

A5 - Veterans UK will only take into account your Armed Forces Pension Schemes when providing your pension growth for the Tax Year. If you have other pensions/earnings you must follow the guidance on the HMRC website or seek independent financial advice to get a complete picture of your tax position. Veterans UK cannot advise you on how to complete your tax return.

The information that we are able to provide is unavoidably limited to the information which is available to us as administrators of your AFPS benefits.

If you do have savings in other pension schemes, you will need to ask the relevant scheme administrator(s) to provide you with a Pension Savings Statement showing similar information for the relevant periods in their scheme(s). You must then add the relevant information for all schemes together and enter the total amounts for each period into the HMRC Pensions AA calculator. The same applies to any other income you may have from sources other than your Service pay.

Q6 - Will Veterans UK allow me to use Scheme Pays to cover tax charges in respect of pensions/earnings outside of my MOD employment?

A6 - HMRC have confirmed that Scheme Pays can only be used to pay up to a maximum of 45% (the highest marginal tax rate) of your AFPS Pension Input Amount for the relevant Tax Year.

Q7 - If I choose to use Scheme Pays to pay a new AA charge for Tax Year 2022-23 will you be able to tell me the amounts that you will deduct from my pensions to repay this?

A7 - Yes. By completing Annex D you will be sent a quote letter showing the details of the costs and how to proceed with finalising Scheme Pays. You would need to do this before finalising your submission in the HMRC Remedy Adjustment Tool. Once you decide to proceed with Scheme Pays you must declare this in the HMRC Remedy Adjustment Tool. The scheme will then pay your tax charge to HMRC and send you a confirmation letter to confirm that we have done this. This confirmation letter is your record that the charge has been paid. Do not assume your tax charge has been paid until you receive this confirmation letter. Your decision to use Scheme Pays is an “irrevocable election”, which means this decision cannot be reversed under any circumstances.

The Government Actuary has advised that until your retirement date is finalised we must firstly calculate your reduction using factors which assume, for reasons of simplicity, that your pension will start at age 65. Then, when you do eventually retire, we must then revalue the reduction assuming payment at age 65 using factors appropriate to your age at your retirement date, and apply index-linking to ensure that the reduction remains proportionate to the growth in your pension.

Q8 - I have tried to speak to HMRC but they cannot help me with my Annual Allowance query. Will Veterans UK speak to HMRC on my behalf?

A8 - HMRC will not discuss your tax affairs with Veterans UK. If the HMRC Call Centre agent cannot answer your query you should ask to speak to a Manager at HMRC or to be passed to someone in HMRC who deals with Pensions Tax.

Q9 - Why can't Veterans UK give me advice regarding my tax position?

A9 - Tax is an individual responsibility, and we cannot assist you with tax liability calculations or assist with completion of Self-Assessment Tax Returns or the HMRC Remedy Adjustment Tool. Any questions about AA (or tax in general) must be directed to HMRC. The Finance Act 2004 prohibits pension scheme administrators from giving financial advice, so you will need to seek independent advice about your tax position and the options available to you.

Q10 – What if I need external assistance to use the HMRC Remedy Adjustment Tool?

A10 - Eligible costs. If the use of a financial advisor or accountant is required to use and complete the HMRC Remedy Adjustment Service a claim may be permissible. Any such claim should be submitted on the following form https://www.gov.uk/guidance/veterans-uk-armed-forces-pensions-forms#compensation-and-contingent-decision along with evidence of use of such services. The claim will be reviewed, and you will be notified of the outcome. You will also be contacted if additional evidence is required.

Q11 - Where do I find further information about pension savings tax?

A11 - In the first instance, please refer to the relevant pages on the HMRC website listed below. These pages all contain links to other relevant pages which provide more detailed information.

Public Service Pension Remedy Pension Tax - gov.uk/government/collections/how-the-public-service-pension-Remedy-affects-your-pension

Changes in Annual Allowance following the Pension Remedy - gov.uk/guidance/changes-in-your-annual-allowance-following-the-public-service-pensions-Remedy

Calculate Your Public Service Pension Adjustment - gov.uk/guidance/calculate-your-public-service-pension-adjustment

Annual Allowance Overview - gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm051100

Provision of Pension Savings Statements - gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm167100 (see standard Pension Statements section)

Calculation of Pension Input Amounts for Defined Benefit Schemes - gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm053300

Tapered Annual Allowance for High Earners - gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm051100

Income definitions - gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm057100

Self-Assessment Tax Returns - gov.uk/self-assessment-tax-returns

Further help with pensions tax - gov.uk/self-assessment-tax-returns/get-help

AFPS Pensions Taxation Booklet - available on GOV.UK at gov.uk/guidance/pensions-and-compensation-for-veterans#taxation

Q12 - Where do I find further information about the AFPS?

A12 - The AFPS scheme booklets will help you understand the benefits payable under the AFPS schemes. You can access these at the following address;

gov.uk/government/publications/armed-forces-and-reserve-forces-pension-schemes-guidance-booklets

Q13 - What should I do about Self Assessment if my TY 2023/24 Pension Savings Statement is delayed?

A13 - For self-assessment returns for tax year 23/24, where the information is not provided before the deadline date, the submission of the return should not be delayed. The tax return should be completed as normal and on time, completing the boxes in the 'Pension savings tax charges' section on the additional information pages (SA101) in the paper tax return or the 'tailor your return' section of the online return.

As accurate information from the scheme has not been provided in time a 'provisional' figure (not an estimate) for tax owing should be used. The scheme cannot advise on this amount. On entering a provisional figure, this should be supported by a note in the 'Any other information' part of the tax return (Page TR7 for paper returns) to explain that a provisional figure has been used in calculating the amount in excess of the annual allowance and when an expected final figure is to be available (statements are currently forecast to be issued by the end of January 2025).

Additionally, when recording a provisional figure, an 'X' should also be placed in Box 20 of Page TR8 (paper return) or indicated on the online return. Further guidance on this is here -

SAM121190 - Returns: individuals returns: provisional or estimated figures: individuals - HMRC internal manual - GOV.UK (www.gov.uk) and general guidance around this subject can be found in PTM056200 - Annual allowance: tax charge: telling HMRC - HMRC internal manual - GOV.UK (www.gov.uk).

Guidance on completing self-assessment tax returns and further help can be found at these sites How to complete your tax return for Self Assessment - GOV.UK (www.gov.uk) and Self Assessment tax returns: How to get help - GOV.UK (www.gov.uk)

Once in receipt of your pension savings statement and any annual allowance charge is known, the tax return can be amended within 12 months of the statutory filing date. More information about the deadlines for submitting an amended return can be found in the Self-Assessment Manual at SAM124165 - http://www.hmrc.gov.uk/manuals/sammanual/SAM124165.htm.

Q14 – How do I access my Pension Savings Statement

A14 – If serving you will be able to access your statement via the application supporting people functions (SCIO). This available on defnet and also via Defence gateway - under applications. If no longer serving these will be sent to the address you recorded on your Pension Form 1.

Appendix IV – Technical Terms

Added Pension	Added Pension is an amount of extra annual pension that you can buy. This is done in order to increase either your retirement benefits and/or your dependants' benefits.
Armed Forces Pension Scheme 1975 (AFPS 75)	The Pension Scheme for Regular Service personnel, introduced in April 1975 and closed to new entrants from 6th April 2005.
Armed Forces Pension Scheme 2005 (AFPS 05)	The Pension Scheme for Regular Service personnel who joined the Armed Forces from 6th April 2005, and from 6th April 2006 for Regular Service personnel who elected to transfer as a result of the Offer to Transfer. AFPS 05 closed to new members from 1st April 2015 onwards, with the exception of members with transitional protection.
Armed Forces Pension Scheme 2015 (AFPS 15)	The Pension Scheme for Regular and Reserve Service personnel who join the Armed Forces from 1st April 2015, and those Service personnel who were already in Service on that date and did not qualify for transitional protection.
Annual Allowance	The limit on what can be added each tax year to the value of the pension without tax charge. The rule is that, when added together, the increase in the value of an individual's pension savings in any input period may not exceed the Annual Allowance. Any amount over the Annual Allowance is taxed at 40%, which is due as a lump sum when the tax liability is calculated.
Attachment Order	A Court Order made as part of a divorce or dissolution settlement to pay all or part of a Scheme members' pension benefits to the member's former spouse or civil partner.
Career Average Revalued Earnings	A CARE pension scheme is one which provides pension benefits which are directly proportionate to pensionable earnings received throughout a career.
Civil Partner	A person of the same sex with whom there is a legally recognised partnership.
Commutation	When a member gives up part of their pension income in return for a tax-free lump sum.
Consumer Price Index	This measures the change in price levels in the UK. It is the method currently used to increase the value of pensions in April every year.
Dependants	A Scheme member's spouse, civil partner, eligible partner, or eligible children.
Earmarking Order	A Court Order under Scottish law, made as part of a divorce or dissolution settlement to pay all or part of a member's pension to the member's former spouse or civil partner.
Early Departure Payment (EDP) Scheme	A payment made to members of AFPS 15 who leave the Regular Armed Forces before age 60, after a minimum of 20 years' qualifying service AND who are at least age 40.
Eligible Child	A natural child or any child, who is financially dependent on the scheme member and who is under 18; under 23 and in full time education or vocational training; or unable to engage in full time gainful employment because of a physical or mental impairment, and

	the person was dependant on the scheme member at the time of death.
Eligible Partner	Someone with whom a Scheme member was cohabiting, in an exclusive and substantial relationship with financial dependence or inter-dependence with whom they were not prevented from marrying or forming a civil partnership.
Final Pensionable Earnings	The greatest amount of the member's total pensionable earnings in the best 365 consecutive days of their final 3 years of service.
Full Time Reserve Service Pension Scheme 1997 (FTRSPS 97)	The Pension Scheme applicable to Reserve Service personnel who gave Full Time Reserve Service before 6th April 2005. The Scheme was closed to new entrants and those starting new commitments from 6th April 2005.
Inverse Commutation	When a Scheme member exchanges all of an EDP lump sum for an increase in the amount of monthly EDP income.
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.
Member	An individual who has joined AFPS 15 and is earning benefits under the Scheme (active member), has a deferred pension under the Scheme (deferred member), or is receiving a pension from the Scheme (pensioner member).
The Reserve Forces Non-Regular Permanent Staff Pension Scheme (NRPS PS)	The Pension Scheme for members of the Reserve Forces who serve on a full-time basis in units or posts responsible for the Army Reserve.
Normal Pension Age	The earliest age at which a person is entitled to an unreduced pension payable immediately on leaving service. The NPA for AFPS 15 is 60.
Opting Out	This occurs when an individual chooses not to become a member of AFPS 15, or chooses to leave the Scheme, if already a member.
Pension Credit Member	A former spouse or civil partner who becomes a member of a pension scheme in their own right as a result of a Court Order which decrees that a percentage of the value of a Scheme members' pension benefits are transferred to them permanently.
Pension Debit Member	A Scheme member whose pension is reduced as a result of a Court Order which decrees that a percentage of the value of their pension benefits are transferred to their former spouse or civil partner.
Pensionable Earnings	Basic pay, but excluding allowances, expenses, bonuses, financial incentives, Loan Service Pay, and any form of Recruitment and Retention Pay.
Pension Sharing Order	An Order made by the Court on divorce or dissolution of a civil partnership, creating pension benefits for a former spouse or civil partner. The former spouse or civil partner becomes a member of the Scheme in their own right.
Qualifying Service	Qualifying service refers to the amount of time you have been a member of the AFPS 15 pension scheme. It is the calendar days that

	you are in receipt of pensionable earnings or assumed earnings in AFPS 15. Hypothetically, if you worked 1 day a week for 2 years, your qualifying service would still be 2 years. As the name suggests, qualifying service qualifies you for certain benefits.
Reckonable Service	Reckonable service refers to the actual years and days that count towards your pension. It is reckonable service that counts in the calculation of the amount of your benefits under AFPS 15. Hypothetically, if you worked 2.5 days a week for 2 years, your reckonable service would only be 1 year. In general, it is likely that your qualifying service will be the same as your reckonable service. But for some people, their qualifying service will be more than their reckonable service.
Reserve Forces Pension Scheme 2005 (RFPS 05)	The pension scheme for Reserve Service personnel starting or renewing a Full Time Reserve Service (FTRS) commitment, including those on Additional Duties Commitment (ADC) terms on or after 6 April 2005
Scheme Administrator	Defence Business Services – Veterans UK is the Scheme Administrator for all Armed Forces Pension Schemes.
Spouse	A legally married partner of the Scheme member.
Substantial Relationship	To establish whether a relationship is substantial, various factors are taken into consideration, such as; children, financial dependence or inter-dependence, shared commitments such as a mortgage, prime beneficiary of a will, shared accommodation, the length of the relationship and the absence of a legal spouse or civil partner (on either side).
Transfer Value	The sum of money that a member requests to transfer between two pension schemes.
War Pension Scheme	The WPS provides no-fault compensation for all ex-Service personnel where illness, injury or death is caused by service before 6 April 2005.