



# Armed Forces Pension Scheme

## Pension Savings Tax Booklet

Guide to the Annual Allowance for Tax Year 2024/2025

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## Introduction

This guide explains how pension savings tax works for members of the Armed Forces Pension Scheme (AFPS) during the 2024/25 tax year. It focuses on the **Annual Allowance**, which is the limit on how much your pension can grow each year before you may need to pay extra tax.

The guide covers:

- What the Annual Allowance is and how it's calculated for Armed Forces pensions.
- Who is most likely to be affected.
- How to read your Pension Savings Statement (PSS).
- What to do if you go over the limit, including how to calculate and pay any tax owed.

The guide also explains key terms, gives worked examples, and signposts you to official resources from HMRC and the Ministry of Defence.

### Important Points to Note:

- **Your Responsibility:** Managing your tax is your personal responsibility. The Armed Forces Pension Scheme (AFPS) cannot calculate your tax liability for you.
- **Seek Advice:** If you're concerned about how the Annual Allowance affects your pension, use this guide which also signposts various resources for you.
- **Guide Purpose:** This booklet offers guidance on the Annual Allowance for the 2024/25 tax year. It doesn't cover past tax years or the 2015 Pension Remedy. For information on previous tax years (2022/23, 2023/24) or the remedy period, refer to the relevant AFPS Tax Booklet on the gov.uk website.
- **More Information:** You'll find a list of frequently asked questions and where to get more details at the end of this guide.

This booklet is for information only. It is not financial advice and cannot replace professional guidance. If you think you may be affected by the Annual Allowance, you should seek help from HMRC or an independent financial adviser.

## What is the Annual Allowance (AA)?

1. The Annual Allowance (AA) is the maximum amount your pension savings can increase in a tax year without a tax charge. For the AFPS, which is a "defined benefit" pension scheme (meaning your pension is based on your salary and length of service), this increase is called the Pension Input Amount (PIA).

## Pension Input Amount (PIA)

2. The PIA is essentially the growth in your pension benefits over a tax year. It's calculated by comparing the value of your pension at the beginning of the tax year (6 April) to its value at the end (5 April).

3. If your PIA exceeds the AA limit, you incur additional tax. For the 2024/25 tax year, the standard AA limit is £60,000.

## Who is Most Likely to Be Affected?

4. Generally, only a few Service Personnel will exceed the £60,000 limit based solely on their Armed Forces pension. However, everyone should understand this rule, especially if they have other financial interests like private pensions or rental income.

5. Those most likely to be affected by the AFPS pension alone include:

- Officers (OF) at OF5 rank and above.
- Medical and Dental Officers on special pay scales.
- Personnel with higher pensionable pay, such as Aircrew.
- Officers at OF3 rank and above who have recently been promoted.

6. Most Other Ranks (OR) are unlikely to be affected, though a very small number on older pension schemes (legacy schemes) who have reached their Immediate Pension Point, or those on bespoke pay spines, might exceed the limit.

## Tapered Annual Allowance

7. Your standard Annual Allowance can be reduced (or "tapered") if your income goes above certain limits. This happens if:

- Your "threshold income" (most taxable income, excluding pension savings) is over £200,000,

**AND**

- Your "adjusted income" (threshold income plus pension savings/PIA) is over £260,000.

If both limits are exceeded, your AA is reduced by £1 for every £2 your adjusted income is over £260,000. The maximum reduction is £50,000, meaning your AA can be as low as £10,000 if your adjusted income is more than £360,000.

## Pension Savings Statements (PSS)

8. If your AFPS pension growth (PIA) exceeds the Annual Allowance, or if your Armed Forces salary suggests you might be subject to the tapered allowance, Defence Business Services (DBS) will automatically send you a Pension Savings Statement (PSS). PSSs are:

- Usually sent by October after the end of the tax year. For tax year 2024/25, PSSs will be issued by 6 October 2025.
- Only issued to those who have likely exceeded the AA or are affected by tapering based on their AFPS benefits.

9. If you are issued a PSS, do not ignore it. It is important for you to check if you have a tax liability.

10. DBS only manages AFPS benefits and Service income. If you have additional personal pensions or income that could lead to an AA tax charge, you should seek specialist advice from a tax advisor. If you do have other pensions or income sources, you might need to request a PIA from DBS if you do not automatically receive a PSS but believe you are at risk of exceeding the AA. You can request a PIA via the JPAC Enquiry Centre. If you request before 6 July following the end of the tax year, you will receive the information by 6 October; otherwise, it will be provided within three months of the request date.

11. The PSS is the sole document for assessing tax charge liability. Do not use your Benefit Information Statement (BIS), Pension Forecast (AFPS Form 12) or Remediable Service Statement to assess any AA tax liability, they are not designed for this purpose.

## What is in your Pension Savings Statement (PSS)?

Your PSS will show (see Figure 1):

1. **Personal Details:** Your service information and pension scheme.
2. **Opening Value:** The value of your AFPS pension pot at the start of the tax year (April 6th), adjusted for inflation (CPI).
3. **Closing Value:** The value of your AFPS pension pot at the end of the tax year (April 5th).
4. **Pension Input Amount (PIA):** The growth of your AFPS pension benefits over the year. If you have benefits in more than one AFPS scheme (like AFPS 75 and AFPS 15), the PIAs from each scheme are added together for your total AFPS PIA.
5. **Prior Tax Years Information:** Unused Annual Allowance from the three previous tax years can be used to offset a current year's tax charge. Your statement will show your PIAs, standard AA, and income details for these past years.
6. **Relevant Tax Year:** The current tax year's details, including your PIA, the standard AA, and your threshold and adjusted income based on your Armed Forces salary and pension.

1

Service Number

UAT00001

Rank

OF8

Name

Serviceperson, AN

Scheme/Type

AFPS15 with Accrued Rights in Legacy AFPS75

2

The total value of your pension pot at 6 April 2024

£6,185.53 (AFPS15 pension) x 16 + 6.7% CPI

= £105,599.37

plus

£61,961.70 (AFPS75 pension) x 16 + £185,885.10 (AFPS75 lump sum) + 6.7% CPI

plus

£1,256,149.54

3

The total value of your pension pot at 5 April 2025

£9,142.96 (AFPS15 pension) x 16

= £146,287.42

plus

£68,157.87 (AFPS75 pension) x 16 + £204,473.61 (AFPS75 lump sum)

plus

£1,294,999.53

4

Pension Input Amount (PIA) for all AFPS benefits for Tax Year 2024-25

plus

AFPS15 PIA

£146,287.42 - £105,599.37

= £40,688.05

AFPS75 PIA

£1,294,999.53 - £1,256,149.54

plus

= £38,849.99

Total AFPS Pension Input Amount

= £40,688.05 + £38,849.99

= £79,538.04

AFPS member UAT00001 OF8 Serviceman, AN

Tax Year	Standard AA Limit	AFPS PIA	Threshold Income – Service pay	Adjusted Income – AFPS & Service pay
2017-18	£40,000	£28,888.85	£95,980.50	£124,869.35
2018-19	£40,000	£1,250.31	£98,864.12	£100,114.43
2019-20	£40,000	£26,572.77	£105,691.87	£132,264.64
2020-21	£40,000	£84,587.77	£110,974.26	£195,562.03
2021-22	£40,000	£57,358.08	£125,900.41	£183,258.49
2022-23	£40,000	£76,063.82	£123,698.85	£199,762.67
2023-24	£60,000	£141,533.43	£137,117.86	£199,762.67
2024-25	£60,000	£79,538.04	£123,698.85	£203,236.89

5

2020-21

£40,000

£84,587.77

£110,974.26

£195,562.03

6

2024-25

£60,000

£79,538.04

£123,698.85

£203,236.89

**Figure 1: Example of a PSS.**

A step-by-step guide to understanding your PSS is also available on the AFPS website.

## How Your Pension Input Amount (PIA) is Calculated

12. The PIA is the net increase in your pension pot's value between 6 April and 5 April, the start and end of the tax year.

13. The PIA is calculated as follows:

### Opening Value (6 April)

- Your pension benefits from all AFPS schemes in which have rights.
- This pension amount is multiplied by 16 (a factor set by the Finance Act).
- If you have benefits in legacy schemes (like AFPS 75 or 05), the automatic lump sum is included.
- This total is then increased by the Consumer Price Index (CPI) figure from the September prior to the start of the relevant tax year i.e. for tax year 24/25 it will be the September 23 CPI rate.

**Closing Value (April 5th):**

- Your pension benefits from all AFPS schemes calculated up to 5 April.
- This pension amount is multiplied by 16.
- If you have benefits in a legacy scheme, your automatic lump sum is added.

**PIA Calculation:**

- The opening value (uplifted by CPI) is subtracted from the closing value to provide your PIA (as shown at Bullet 4 in Figure 1).
- If your calculated PIA exceeds £60,000, you may face an AA tax charge.

**Illustrative Examples:**

**Example 1 (Exceeding AA):** An OF4 with AFPS 15 and AFPS 75 benefits has a combined PIA of £60,587.71 for 2024-25, which slightly exceeds the £60,000 standard AA limit.

The total value of OF4 pension pot on 6 April 2024		
£3,869.43 (AFPS15 pension) x 16 + 6.7% CPI		= £66,058.91
Plus		plus
£27,215.89 (AFPS75 pension) x 16 + £81,647.67 (AFPS75 lump sum) + 6.7% CPI		= £551,747.74
The total value of OF4 pension pot on 5 April 2025		
£6,848.89 (AFPS15 pension) x 16		= £109,582.26
Plus		plus
£29,937.48 (AFPS75 pension) x 16 + £89,812.44 (AFPS75 lump sum)		=£568,812.10
Pension Input Amount (PIA) for all OF4 AFPS benefits for Tax Year 2024-25		
AFPS 15 PIA £109,582.26 - £66,058.91		=£43,523.35
Plus		plus
AFPS 75 PIA £568,812.10 - £551,747.74		= £17,064.36
<b>AFPS PIA = £43,523.35 + £17,064.36</b>		<b>=£60,587.71</b>

**Example 2 (Tapered AA):** An OF9 with AFPS 15 and AFPS 75 benefits has a PIA of £44,219.87 (below the standard AA). However, their service income (£232,163) is above the £200,000 threshold, and their adjusted income (£276,382.87) is above the £260,000 limit. Since both income limits are exceeded, this officer will be subject to a tapered AA.

The total value of OF9 pension pot on 6 April 2024				
£6,185.53 (AFPS15 pension) x 16 + 6.7% CPI				= £105,599.37
Plus				plus
£61,961.70 (AFPS75 pension) x 16 + £185,885.10 (AFPS75 lump sum) + 6.7% CPI				= £1,256,149.54
The total value of OF9 pension pot on 5 April 2025				
£9,142.96 (AFPS15 pension) x 16				= £146,287.42
Plus				plus
£66,299.02 (AFPS75 pension) x 16 + £198,897.06 (AFPS75 lump sum)				=£1,259,681.36
Pension Input Amount (PIA) for all OF9 AFPS benefits for Tax Year 2024-25				
AFPS 15 PIA £146,287.42 - £105,599.37				=£40,688.05
Plus				plus
AFPS 75 PIA £1,259,681.36 - £1,256,149.54				= £3,531.82
<b>AFPS PIA = £40,688.05 + £3,531.82</b>				<b>=£44,219.87</b>
Tax Year	Standard AA Limit	AFPS PIA	Threshold Income – Service Pay	Adjusted Income – AFPS & Service Pay
2024-25	£60,000	<b>£44,219.87</b>	£232,163	£276,382.87

**Example 3 (Negative PIA):** Occasionally the opening value of your pension can be higher than the closing value, resulting in a "negative PIA." One reason this happens is if inflation (CPI) causes the opening value to grow more than your pension benefits. Since the 2023/24 tax year, a negative PIA in a legacy scheme can offset any growth in your AFPS 15 pension, the reverse does not apply. Additionally, the overall PIA for a public sector scheme cannot be negative; if the overall PIA (from all schemes) is calculated to be negative, then it is set to zero. See example below where an OF8 has a negative PIA in AFPS 75 that offsets growth in AFPS 15, thus reducing the overall PIA below the standard AA.

The total value of OF9 pension pot on 6 April 2024		
£6,185.53 (AFPS15 pension) x 16 + 6.7% CPI		= £105,599.37
Plus		plus
£61,961.70 (AFPS75 pension) x 16 + £185,885.10 (AFPS75 lump sum) + 6.7% CPI		= £1,256,149.54
The total value of OF9 pension pot on 5 April 2025		
£9,142.96 (AFPS15 pension) x 16		= £146,287.42
Plus		plus
£65,059.79 (AFPS75 pension) x 16 + £195,179.36 (AFPS75 lump sum)		=£1,236,135.92
Pension Input Amount (PIA) for all OF9 AFPS benefits for Tax Year 2023-24		
AFPS 15 PIA £146,287.42 - £105,599.37		=£40,688.05
Plus		plus
AFPS 75 PIA £1,236,135.92 - £1,256,149.54		= (-£20,013.63)
<b>AFPS PIA = £40,688.05 + (-£20,013.63)</b>		<b>=£20,674.42</b>

## CPI and AA Rates

14. The current and historic CPI rates used in the PIA calculation are shown below

Tax Year	10/11	11/12	12/13	13/14	14/15
CPI	1.10%	3.10%	5.20%	2.20%	2.70%

Tax Year	15/16	16/17	17/18	18/19	19/20
CPI	2.50%	0%	1%	3%	2.40%

Tax Year	20/21	21/22	22/23	23/24	24/25
CPI	1.70%	0.5%	3.1%	10.1%	6.7%

## Carry Forward of Unused Annual Allowance

15. You might be able to increase your standard Annual Allowance in a tax year by "carrying forward" any unused AA from the previous three tax years. You can do this if you were a member of a registered pension scheme in those prior years. For example, if you had £9,000, £6,000, and £12,000 of unused AA from the last three years respectively, you could add these to your standard £60,000 AA for 2024/25, giving you a total allowance of £87,000.

Year	Annual Allowance	Pension Savings	Unused Annual Allowance
2021/22	£40,000	£31,000	£9,000
2022/23	£40,000	£34,000	£6,000
2023/24	£60,000	£38,000	£12,000

16. Your PSS will provide the necessary AFPS information for previous tax years. However, if you have other pensions or income, you'll need to add those details to get a complete picture.

## HMRC Annual Allowance Calculator

17. Once you receive your PSS, you should use the HMRC Annual Allowance calculator. The HMRC calculator will help you determine:

- If a reduced AA limit applies due to tapering, and by how much.
- Any unused AA you can carry forward from previous years.
- If you have an amount on which tax is owed. (Note: This is *not* the final tax amount you pay).

The Pension Savings tax section of the AFPS gov.uk webpage has a step-by-step guide with screenshots of how to use the HMRC calculator.

## How to Calculate the Tax Payable

18. If the HMRC calculator shows you have an amount on which tax is owed, you need to calculate the actual tax charge. This excess amount is added to your earnings to figure out the tax due. When calculating your tax owed be careful with tax bands, as different rates apply to different income levels, and tax bands vary for Scottish taxpayers. Always check the HMRC website [<https://www.gov.uk/government/publications/rates-and-allowances-income-tax>] for the most current tax bandings.

19. To calculate your tax charge. The output from the carry forward calculator shows you have an amount on which tax is owed of £26,800. Your salary is £98,000. You have no other income sources. Tax would be calculated as follows:

Salary: £98,000  
Excess AA: £26,860  
Total for tax calculation: £124,860

Since £124,860 is under £125,141, the tax owed on the excess AA (£26,860) is calculated at the Higher Rate of 40%, which is £10,744.

20. Using the same scenario, but increasing the salary:

Salary: £125,000  
Excess AA: £26,860  
Total for tax calculation: £151,860

In this case, parts of the excess AA fall into different tax bands:

£26,719.00 is above the additional rate limit and taxed at 45% (Additional Rate)  
The remainder, £141.00, is taxed at 40% (Higher Rate)  
Total tax owed: £12,079

The previously mentioned Step-By-Step Guide and HMRC provide more information on calculating tax charges.

## How to Pay a Tax Charge

21. You are personally responsible for reporting and paying any tax you owe. This is done through a Self-Assessment Tax Return. These can be completed as a paper or online return. The deadline for paper returns is 31 October, and online returns by 31 January after the end of the tax year for which the charge occurred. Further details on self-assessment can be found at the HMRC website.

22. To pay a tax charge you have the following options:

- **Scheme Pays:**  
The pension scheme can pay the tax charge on your behalf. This will permanently reduce your pension benefits. You *must* inform the scheme if you choose this option. See the "Scheme Pays" section below for more details.
- **Pay Directly:**  
You can pay the tax charge yourself directly to HMRC via Self-Assessment.
- **Tax Code Adjustment:**  
HMRC can collect the tax by adjusting your PAYE (Pay As You Earn) tax code, but only if:
  - The total tax owed is less than £3,000.
  - You already pay tax through PAYE (which you do if you receive AFPS salary or pension).
  - You submitted your paper tax return by October 31st or your online return by December 30th.
  - If these conditions are met and you haven't declared another payment method, HMRC will automatically adjust your tax code.
- **Combination:**  
You can use a mix of Scheme Pays and direct payment (but not PAYE).

## Scheme Pays Explained

23. Scheme Pays is an optional way for your pension scheme to pay your Annual Allowance tax charge for you. Key elements of this mechanism are:

- **Limits:** The maximum amount the AFPS can pay via Scheme Pays is limited to 45% of your AFPS Pension Input Amount (PIA) for that tax year. There is no minimum amount.
- **AFPS Charges Only:** The AFPS can only pay tax charges related to your AFPS pension. If you incur a tax charge from another pension scheme, you must arrange payment with that scheme's provider.
- **Permanent Reduction:** If you choose Scheme Pays, your pension benefits will be permanently reduced when you start receiving them. This reduction cannot be reversed.
- **No Impact on EDP:** Early Departure Payments (EDP) under AFPS 05 and AFPS 15 are not affected by Scheme Pays.
- **When Reduction Applies:** The reduction is not applied until you start receiving your pension.
- **Multiple Schemes:** If your PIA comes from a combination of AFPS schemes (e.g., AFPS 75 and AFPS 15), the tax charge is split proportionally between those schemes.

- **Dependants' Benefits:** Scheme Pays does not affect benefits payable to your dependants after your death.
- **Calculation:** Initially, the reduction is estimated based on you receiving your pension at age 65. This will be adjusted when your pension starts, based on your actual retirement age. If you retire earlier than 65, the reduction will be lower; if later, it will be higher. Tables used for these calculations are available online at the [GAD Factor Hub](#).
- **When to Use:** You can usually elect for Scheme Pays while still serving, but it can also be used for charges incurred in your AFPS scheme after leaving service.
- **Informing HMRC and the Scheme:** If you plan to use Scheme Pays, you must declare this on your Self-Assessment tax return by the deadline and also instruct AFPS to make the payment. There are specific steps to this:
  - **Step 1:** If you want a quote, complete Form AFP15136L (Annex D in your PSS). If you do not require a quote move to Step 3.
  - **Step 2:** Review the quote (AFP15137L).
  - **Step 3:** If you decide to proceed with scheme pays, submit AFPS Form 17 (Scheme Pays final decision) by 31 July. This form is available in digital format on [MODNET](#) and under Forms on the AFPS page on gov.uk.
  - **Step 4:** Receive confirmation (AFP15139L).
- **No Obligation:** Requesting a quote does not obligate you to use Scheme Pays nor is it an instruction to the scheme to proceed. The scheme will not follow up if you do not make further contact with the scheme having been issued a quote.
- **Multiple Charges:** You can use Scheme Pays multiple times throughout your career, and you can choose different payment methods for different tax charges.

24. Carefully consider which payment method is best for your financial situation. Seek independent financial advice if needed, as the MOD cannot advise you on this decision. **Important: If you elect for Scheme Pays you must not assume it is complete until you receive final confirmation (AFP15139L). Even when using scheme pays you retain a personal responsibility for ensuring the tax charge has been paid.**

## Pension Sharing on Divorce (PSOD)

25. Pension sharing on divorce can be complicated. A pension debit from a Pension Sharing Order (PSO) might increase your likelihood of an Annual Allowance tax charge.

- **Revaluation:** For members of AFPS 75, AFPS 05, and AFPS 15, if a PSO was put in place before you reached your Immediate Pension Point (IPP) (16 years for AFPS 75, age 55 for AFPS 05, age 60 for AFPS 15), your pension debit will be revalued when you reach your IPP.
- **Pension Remedy Impact:** Due to the pension remedy, some eligible members who had a PSO during the remedy period (April 1, 2015, to March 31, 2022) or started their divorce before October 1, 2023, might need a recalculation of their pension debit. This might cause delays in calculating an accurate PIA.
- **More Information:** Details on the pension remedy and divorce are available in the remedy explained booklet and the Divorce section of the AFPS gov.uk website.

## Specific Adjustments to Pension Values

26. Certain events can lead to adjustments in the opening and closing values used for your AA calculations. DBS will make these adjustments, and they will be reflected in your PIA and PSS. These include:

- **Additional Voluntary Contributions (AVCs):** If you bought extra benefits or reckonable service in a legacy scheme, this increase will be in your AA calculations.
- **Added Pension:** For AFPS 15, the actual amount of extra pension you bought (not your contribution amount) is included.
- **Pension Supplements:** For AFPS 75 members, daily supplements (for divers, aviators, medical and dental officers, etc.) are included in your AA calculations. These are based on your reckonable service and rank's daily supplement rate.

## Tax Implications of Purchasing Added Pension

27. If you are considering, or have, purchased added pension be aware of the following:
- **Salary Deductions:** If Added Pension contributions are taken from your salary, they are deducted before income tax is calculated.
  - **Lump Sum Payments:** If you pay for Added Pension with a lump sum, you usually need to reclaim the income tax you paid on it via your tax return.
  - **AA Calculation:** Remember, it's the *amount of Added Pension purchased*, not your contribution amount, that counts towards the AA. Similarly, any pension enhancement from AVCs purchased due to the 2015 Pension Remedy will count towards your AA.
  - **Manage Your Tax:** You are responsible for your own tax affairs. It is highly recommended to seek independent financial advice before entering any added pension contract.
  - **Cancelling Added Pension/AVCs:** Be aware of the implications of cancelling these, as outlined in the declaration you signed.

## Important Information for Self-Assessment Returns

28. If you owe an AA tax charge, you must complete a Self-Assessment tax return. You might need the following details:

- **Employer Ref:** 948/02/WZ82056
- **Unique Taxpayer Reference (UTR):** You'll need to apply for this if you haven't done a Self-Assessment before. It can take up to 10 working days, and an activation code for Self-Assessment takes 7 working days. You can register at [gov.uk/register-for-self-assessment](https://gov.uk/register-for-self-assessment).
- **Pension Scheme Tax Reference Number:** 00817591RA

29. If you're unsure about your tax liability, do not delay submitting your tax return. You can amend it up to 12 months after the Self-Assessment deadline. See HMRC guidance at [gov.uk/self-assessment-tax-returns/corrections](https://gov.uk/self-assessment-tax-returns/corrections).

## Further Information

30. 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>

**Disclaimer:** This guide is for reference only and does not replace legal or HMRC policy guidance. It is not financial advice. The MOD and its employees are not financial advisors and cannot be held responsible for your tax liability. You must always check relevant HMRC information and are strongly advised to seek advice from an Independent Financial Advisor or other professional.

### **Contacts**

- **DBS UK Pensions Tax Team:** Mail Point 484, Kentigern House, 65 Brown St, Glasgow, G2 8EX or DBS-JPAC@DBSPV.MOD.UK
- **DPT REM Pension Policy:** AFPension-Policy@mod.gov.uk

## Appendix I

### How Your Pension is Calculated Across Different Schemes

1. Pension entitlements are calculated differently for the main Armed Forces Pension Scheme (AFPS 15) and older (legacy) schemes like AFPS 75 and AFPS 05. For instance, AFPS 75 calculations depend on your rank and whether you've reached your "Immediate Pension Point" (IP Point). The IP Point is 16 years of "Reckonable Service" for Officers and 22 years for Other Ranks.
2. With the increase in the Annual Allowance to £60,000, it's less likely that personnel below OF5 rank on the main pay scale will be affected by pension savings tax. However, Medical and Dental Officers (MODOs) and those at OF5 rank and above are more likely to be affected by the Annual Allowance at some point in their careers.
3. Officers at OF4 rank and below, including some Other Ranks (OR8/9), might be affected when career events like promotions lead to sudden increases in their pension pot value during a tax year. This is particularly noticeable in the AFPS 75 scheme.

### AFPS 75 Scheme

4. The AFPS 75 scheme's pension is primarily based on your rank and length of service. To qualify for a specific rank for pension purposes, you need to hold that substantive rank for two years. After one year of continuous service in the new substantive rank, 50% of the higher rank pension will have built up, increasing proportionally to 100% by the end of the second year. Where the acting rank is held then the pension build up occurs over three years. All AFPS 75 calculations use annual pension codes available on the gov.uk website.
5. Pensions for AFPS 75 members at OF6 rank and below are based on pension codes and representative rates of pay, using compulsory rates. The pension, including an automatic lump sum, is adjusted based on the Representative Rates of Pay in effect on the calculation date.
6. The formula for calculating an OF AFPS 75 pension uses your rank and length of service in both the AFPS 75 scheme and your total armed forces service. It's calculated as  $(B / C) \times A$ , where:
  - **A** is the Officers Retired Pay and Lump Benefits Pension Code for your rank and AFPS 75 service length.
  - **B** is the Regulars Representative Rates for your Total Length of Service.
  - **C** is the Regulars Representative rate for your length of service in AFPS 75.

Note: AFPS 75 service for an OF is counted from age 21 (or entry date if later) up to 31 Mar 22.

**Example:** For an OF5 with 25 years total service and 24 years in the legacy scheme using 2024 pension codes, the calculation would be  $(£113,614 / £113,176) \times £42,705 = £42,870.27$ .

For partial years, the additional days are included in the calculation.

7. Officers at OF7 rank and above start earning full pension benefits after holding substantive rank for one year. Their pensions are based on pensionable earnings, not representative pay. The percentage is a maximum of 50% and depends on completed service.

**Example:** For 34 years of service in AFPS 75 and earnings of £137,136: 50% of £137,136 = £68,568. The associated lump sum would be  $3 \times £68,568 = £205,704$ .

8. If you receive daily supplements (e.g., for divers, aviators, medical and dental officers) in AFPS 75, these are included in your AA calculations. The supplement is based on the number of days you've been paid from the relevant special pay scale since 1 April 1992 (For Nurses and RN Clearance Divers the effective date is 1 Aug 09), while in AFPS 75, multiplied by the daily supplement for your rank. This is then added to the relevant pension code.

**Example (GMP Accredited OF4):** With a 2024 professional supplement rate of £1.985 and 7517 total days of AFPS 75 service from Sep 1, 2001, to Mar 31, 2022, the supplement would be  $7517 \times £1.985 = £14,921$ . This also generates a lump sum of £44,763.75.

9. Promotion in AFPS 75 has a delayed effect on pension benefits because the increase doesn't show until the required qualification period (at least one year) after promotion. In contrast, other AFPS schemes are salary-based, so a salary increase from promotion immediately affects pension growth.

## AFPS 05 Scheme

10. For AFPS 05 members, pension benefits are based on your "Final Pensionable Earnings," which is your highest pensionable salary over any 365 consecutive days in your last three years of service. Benefits accumulate at a rate of 1/70th of your Final Pensionable Earnings for each year served in the scheme.

**Example:** If your salary was £50,000 and you served 18 years in AFPS 05, the calculation would be  $£50,000 \times 18/70 = £12,857$ , with a lump sum of  $3 \times £12,857 = £38,571$ .

11. If your best 365 consecutive days were not in the current year, that pensionable salary is adjusted for inflation. For more details, refer to Chapter 3 of JSP 764.

## AFPS 15 Scheme

12. AFPS 15 was introduced on 1 April 15, and all Armed Forces members have been on this scheme since 1 April 22. It applies to both Regular and Reserve Forces.

13. AFPS 15 is a non-contributory scheme based on "Career Average Revalued Earnings" (CARE). Your entitlement starts on your first day of paid service, and you're eligible for benefits after at least two years of "qualifying service." Under CARE, each year the MOD adds an amount equal to 1/47th of your annual pensionable earnings for that year to your "pension pot." This pot grows from your first day of pensionable paid service and is revalued annually in line with the Average Wage Earnings Index to keep pace with inflation. Any pension rights you earned in older Armed Forces pension schemes are protected. More details are on the AFPS gov.uk website.

## Appendix II

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

**Q1: If I receive a letter, does it mean I have a tax charge and need to file a self-assessment tax return?**

A1: Defence Business Services (DBS) will send you a letter (Pension Savings Statement) if your AFPS pension has exceeded the £60,000 Annual Allowance limit or if your service income means you might be subject to a reduced (tapered) Annual Allowance. This does not automatically mean you owe tax.

You might be able to use unused Annual Allowance from the previous three tax years (if you were in a registered pension scheme). Other income or pension memberships can also affect your AA position. To find out if you owe tax, combine the information from your Pension Savings Statement with your other financial details (like other pensions or rental income) and use the HMRC Carry Forward Calculator.

If you have a tax charge, you must report it to HMRC via self-assessment. If you have no tax charge, you don't need to do anything further regarding pension savings.

**Q2: I'm eligible for the pension remedy. Will this statement change?**

A2: Your tax position for the remedy period is based on you being a member of your relevant legacy scheme, with AFPS 15 benefits calculated from April 1, 2022, onwards. Your statement has been produced on this basis. Your final remedy choice when you leave the services will not change this.

If you choose AFPS 15 benefits when you retire, your pension's opening value for AA calculation in that tax year will use your legacy benefits. The closing value will be the lower of your legacy scheme benefits and your AFPS 15 benefits. If your Pension Input Amount (PIA) then exceeds the AA, a Pension Savings Statement (PSS) will be issued for that tax year.

**Q3: Where can I find more information about the self-assessment process?**

A3: Refer to HMRC guidance at [gov.uk/self-assessment-tax-returns](https://gov.uk/self-assessment-tax-returns).

**Q4: What additional information do I need for a self-assessment tax return?**

A4: Once you've calculated the taxable amount, enter it into Boxes 10 to 12 of Form SA101 (page Ai 4 of Additional Information pages) for paper returns, or complete the pension savings tax section of 'Tailor Your Return' if filing online.

**Do not** put your Annual Allowance figures in the main self-assessment tax return. Doing so could lead HMRC to treat it as income and expect immediate payment, possibly even asking for advance payments for future tax charges.

You must also include the Pension Scheme Tax Reference Number for your AFPS scheme: 00817591RA.

**Q5: What if I've already filed my self-assessment tax return before getting a PSS or make a mistake?**

A5: If you've filed your return and need to report an additional tax liability, you can revise your return. For the 2024/25 tax year, you would need to do this before the filing deadline of January 31, 2026, for online returns, or October 31, 2025, for paper returns. If you've declared your pension savings and filed but realize you need to correct a mistake (not add new information), you have until January 31, 2027, to do so. Details on amending a return are at [gov.uk/self-assessment-tax-returns/corrections](https://gov.uk/self-assessment-tax-returns/corrections).

**Q6: What if I have other pensions or earnings DBS doesn't know about?**

A6: DBS only considers your Armed Forces Pension Schemes when calculating your pension growth for the tax year. If you have other pensions or earnings, you must follow HMRC guidance or seek independent financial advice to get a complete tax picture. DBS cannot advise you on completing your tax return; their information is limited to your AFPS benefits.

If you need your Pension Input Amount (PIA) due to other financial interests and haven't automatically received a Pension Savings Statement, you can request this from the Joint Personal Administration System Enquiry Centre by calling 0800 085 3600 or emailing [DBS-JPAC@dbspv.mod.uk](mailto:DBS-JPAC@dbspv.mod.uk).

If you have savings in other pension schemes, you must ask those scheme administrators for a Pension Savings Statement. You then need to combine all this information (from all schemes and any other income sources) and enter the total amounts into the HMRC Pensions Annual Allowance calculator.

**Q7: If I use Scheme Pays for Tax Year 2024/25, will you tell me how much will be deducted from my pension?**

A7: An estimate can be provided. Until your retirement date is finalised we must firstly calculate your initial reduction amount 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 initial reduction amount 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: If using Scheme Pays, what is the difference between Annex D and Form 17?**

Q8: If you complete Annex D from your Pension Savings Statement, you'll receive a quote letter with cost details and instructions for finalizing Scheme Pays. Note: completing Annex D to request a quote is not a formal declaration to use scheme pays.

If you decide to proceed with scheme pays having received a quote, or if you do not require a quote, you must complete a Form 17 (available on MODNET or gov.uk). Once Form 17 is submitted and accepted, you'll receive a confirmation letter confirming Scheme Pays is in effect and that your tax charge will be paid by the scheme.

Do not assume your tax charge has been paid until you receive this confirmation.

Choosing Scheme Pays is an "irrevocable election," meaning it cannot be reversed.

**Q9: I've tried speaking to HMRC, but they can't help with my Annual Allowance query. Will DBS speak to HMRC for me?**

A9: HMRC will not discuss your tax affairs with DBS. If an HMRC Call Centre agent can't answer your question, ask to speak to a Manager or someone who deals with Pensions Tax.

**Q10: Why can't DBS advise me on my tax position?**

A10: Tax is an individual responsibility. DBS cannot help with tax liability calculations, completing Self-Assessment Tax Returns, or using the HMRC Carry Forward calculator. Any questions about the Annual Allowance or tax in general must be directed to HMRC or your own financial advisor/accountancy services. The Finance Act 2004 prevents pension scheme administrators from giving financial advice.

**Q11: Where can I find more information about pension savings tax?**

A11: Refer to the relevant pages on the HMRC website:

- Annual Allowance Overview: [gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm05110](http://gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm05110)
- Pension Savings Statements: [gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm167100](http://gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm167100)
- Defined Benefit Schemes PIA Calculation: [gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm053300](http://gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm053300)
- Tapered Annual Allowance: [gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm051100](http://gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm051100)
- Income definitions: [gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm057100](http://gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm057100)
- Self-Assessment Tax Returns: [gov.uk/self-assessment-tax-returns](http://gov.uk/self-assessment-tax-returns)
- Further help with pensions tax: [gov.uk/self-assessment-tax-returns/get-help](http://gov.uk/self-assessment-tax-returns/get-help)
- AFPS Pensions Taxation Booklet: [gov.uk/guidance/pensions-and-compensation-for-veterans#taxation](http://gov.uk/guidance/pensions-and-compensation-for-veterans#taxation)

**Q12: Where can I find more information about the AFPS?**

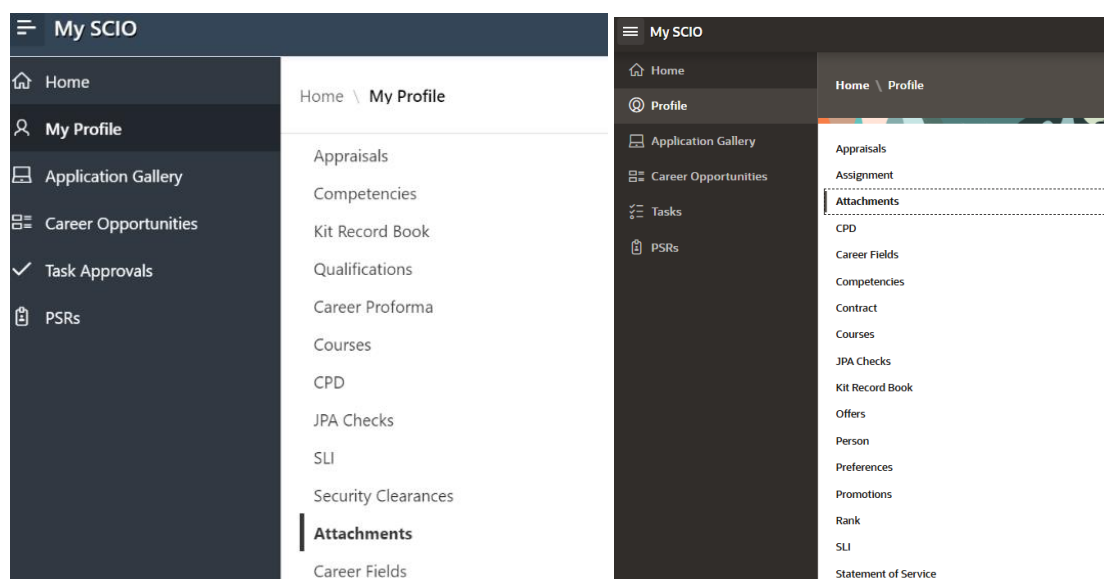
A12: AFPS scheme booklets explain the benefits under AFPS schemes. You can find them at [gov.uk/government/publications/armed-forces-and-reserve-forces-pension-schemes-guidance-booklets](http://gov.uk/government/publications/armed-forces-and-reserve-forces-pension-schemes-guidance-booklets).

### Q13: How do I access my Pension Savings Statement?

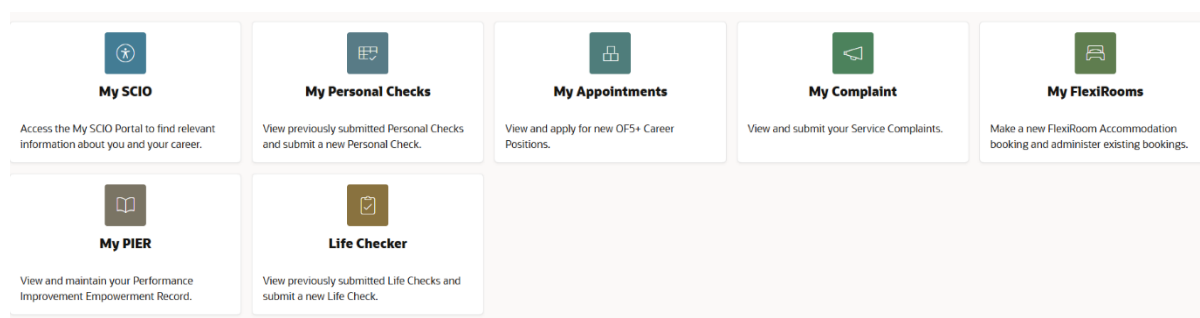
A13: If you are currently serving, you can access your statement via the application supporting people functions (SCIO) on defnet. If you are no longer serving, it will be sent to the address recorded on your Pension Form 1.

For Royal Navy, Army and Royal Air Force personnel, to access SCIO [[SCIO Applications Portal](#)] through MODNET use your **PUID** and **MODNET** password.

Once [SCIO](#) is accessed through MODNET you will find the statement under 'my profile' 'attachments' – see screenshot examples below:



Royal Navy personnel can also access via Defence Gateway, once you have entered the SCIO application, depending on your service you will see a series of options



Enter the one that most resembles My SCIO, it could say My SCIO Mobile or something similar.

Once in that application select the menu function – the three white 'hamburger' lines and select attachments from the options list.