Ministry of Defence

Armed Forces Pension Scheme

Your Pension Savings Statement – What You Need to Do (Tax Year 2025/26)

About this Guide

This guide has been written to help you:

- Check if you have a tax charge.
- Calculate it.
- Tell HMRC.
- Pay any charge.

This guide gives general information only. It is not financial or tax advice. Your PSS from the Armed Forces Pension Scheme covers this scheme only. If you have other pension savings or other income, you must include them in your calculations.

If you have questions about your PSS, contact the Joint Personnel Administration Centre. If you have questions about your tax position, contact HMRC or seek independent financial advice. The AFPS scheme administrator cannot advise on personal tax matters.

Before you start, please have the following ready:

- Your Pension Savings Statement (PSS).
- Details of any other pension savings you hold elsewhere.
- Details of any other taxable income you receive (e.g. rental income).
- A computer/tablet/phone where you can access the HMRC Annual Allowance calculator (Gov.UK).
- Your Government Gateway login (if completing an online Self Assessment return).

1 August 2026

Introduction

Why have I received a Pension Savings Statement (PSS)?

You have been sent a PSS because in tax year 2025/26, one of the following applies to your pension savings in the AFPS:

- Your Pension Input Amount (PIA), the value of the pension you built up, exceeded the standard Annual Allowance limit of £60,000; or
- Your threshold income was above £200,000 and your adjusted income was above £260,000 (which may trigger a reduced, or 'tapered', Annual Allowance).

Receiving a PSS does not automatically mean you owe tax. It means the AFPS must tell you that your pension savings may need to be checked. You may still have no charge to pay, and this guide will help you work that out.

What information does the PSS contain?

The PSS is broken down into a covering letter and five annexes.
Annex A shows your Pension Input Amount.
Annex B contains relevant information to determine if a tax charge applies.
Annex C outlines ways to pay a tax charge.
Annex D is a form to request a Scheme Pays quote.
Annex E answers frequently asked questions.

Key terms – a glossary

Here are the main terms you will come across in this guide.

Term	Meaning
Annual Allowance	**The maximum amount your pension can grow in a tax year without a tax charge. The standard limit is £60,000 for 2025/26.**
Pension Input Amount (PIA)	**The value by which your defined benefit pension grew during the tax year. It is calculated by your scheme and shown on your PSS – you do not need to work this out yourself.**
Carry Forward	**Unused Annual Allowance from the three previous tax years that you may be able to add to this year's limit, potentially reducing or eliminating any charge.**
Threshold Income	**Broadly, your total taxable income (including salary) before pension contributions as shown on your JPA P60. If this is below £200,000, tapering does not apply to you.**
Adjusted Income	**Your threshold income plus your PIA. If this exceeds £260,000, your Annual Allowance may be reduced ('tapered') down to a minimum of £10,000.**
Tapered Annual Allowance	**A reduced Annual Allowance for higher earners. For every £2 that adjusted income exceeds £260,000, the AA reduces by £1.**
Scheme Pays	**An option to ask your pension scheme to pay your tax charge on your behalf. In return, your pension will be permanently reduced when it comes into payment.**
Self Assessment Tax Return (SATR)	**A tax return you submit to HMRC each year to declare income and calculate any tax owed. You must file one if you have an AA tax charge.**
Pension Input Period (PIP)	**The period over which your pension savings are measured – aligned with the tax year (6 April to 5 April).**

Part 1 - Do you have an Annual Allowance Tax Charge?

This part explains how to use the HMRC Annual Allowance calculator to check whether you have a tax charge. If the calculator shows an amount on which tax is due, Part 2 explains how to work out the tax bill itself.
There are eight steps in this process.

Step 1: Find your PSS figures

Open your PSS and locate the Pension Savings Table at Annex B (shown in the diagram below).

Tax Year	Standard AA Limit	AFPS PIA	Threshold Income – Service pay	Adjusted Income – AFPS & Service pay
2017-18	£40,000	£28,888.85	£85,354.14	£114,242.99
2018-19	£40,000	£1,250.31	£95,980.50	£97,230.81
2019-20	£40,000	£26,572.77	£98,864.12	£125,436.89
2020-21	£40,000	£84,587.77	£105,691.87	£190,279.64
2021-22	£40,000	£57,358.08	£110,974.26	£168,332.34
2022-23	£40,000	£76,063.82	£125,900.41	£201,964.23
2023-24	£60,000	£141,533.43	£123,698.85	£265,232.28
2024-25	£60,000	£232,672.27	£167,145.51	£399,817.78
2025-26	£60,000	£136,973.48	£137,117.86	£274,091.34

This table shows, for each tax year, your PIA (pension savings), threshold income (your salary/pay), and adjusted income (salary + PIA). You will need these figures for the calculator.

Step 2: Open the HMRC Annual Allowance calculator

Open the HMRC Annual Allowance Calculator. Read the opening information, then select the green ‘Start now’ button.

Step 3: Select the relevant tax years

The calculator will ask which tax years you were a member of a registered pension scheme. Select all the years shown in the Pension Savings Table at Annex B of your PSS. In most cases, this will be the most recent completed tax year (6 April 2025 to 5 April 2026) and the three tax years before it. Do not select 6 April 2026 to 5 April 2027, because that tax year is still open. When you have selected the correct years, choose Continue.

Step 4: Answer the DC pension question

The calculator will ask whether you have flexibly accessed a Defined Contribution (DC) pension. The AFPS is a Defined Benefit (DB) pension scheme, so if this is your only pension, select No. If you also have another private or workplace DC pension that you have started drawing from, select Yes and enter the date you first accessed it.

Step 5: Enter your pension savings (PIA) figures

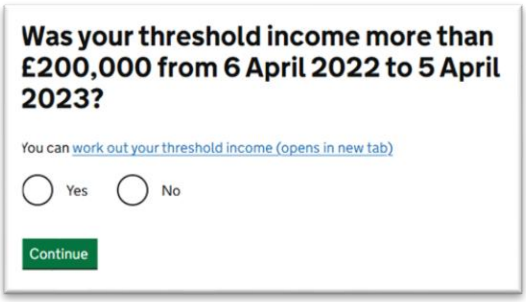
For each tax year you selected, the calculator will ask: “How much were your pension savings from 6 April YYYY to 5 April YYYY?” Enter the AFPS PIA figure for that year.

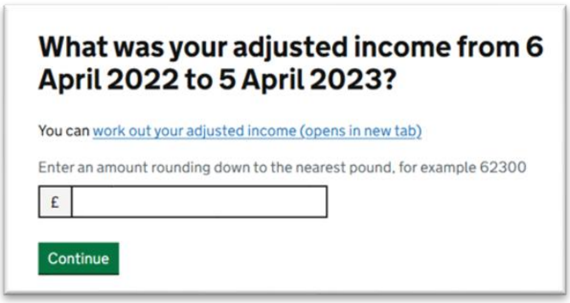
- Your PIA figure is from the third column in the table at Annex B of your PSS.
- Round figures down to the nearest pound (e.g. £136,973.48 becomes £136,973).
- If you have other pension savings, add those figures here too.

If you selected 2015/16, or any earlier year, the calculator will also ask whether you were a member of a registered pension scheme in 2015/16. If you had pension savings in that year, answer Yes.

For tax years 2016/17 onwards, the calculator will also ask for income information.

- Did your threshold income exceed the relevant limit?
- To determine this, use the threshold income figure from column 4 (service pay) of Annex B of your PSS.
- If you have other taxable income (e.g. rental income), you will need to add that to this figure too.
- If your threshold income is below the limit shown, select ‘No’ and continue.
- If your threshold income total is above the limit, select ‘Yes’.
- Enter your adjusted income on the next screen. Adjusted income is taken from the final column in the table at Annex B of your PSS.
- As with threshold income, remember to include any additional income or pension savings in this figure.
- Select Continue.





Step 6: Check your answers

After you enter all your information, the calculator will show a ‘Check your answers’ screen. Review each figure carefully. If something is wrong, select Change next to that entry and correct it before you continue.

Step 7: View your results

Select Calculate to see your results. Look for the most recent completed tax year (for example, 6 April 2025 to 5 April 2026). In that row, find the figure labelled 'Amount on which tax is due'.

What do the results mean?

The table below explains the results:

Result	What it means	What to do next
£0	No charge for this tax year	No further action needed for this year (unless you have income/savings from other sources not yet included).
Amount > £0	You have an excess over your Annual Allowance	Go to Part 2 to calculate your tax bill.
Amounts shown for earlier years	A charge may have applied in previous years too	Review your records. You may have unpaid charges from earlier years that need to be addressed.

Important: your PSS only shows pension growth and pay from the Armed Forces. If you have other income or other pension savings, you must add them to your threshold income, adjusted income and PIA totals before you can confirm whether a charge applies.

Part 2 - Working out your Annual Allowance Tax Charge

If the HMRC calculator shows an 'amount on which tax is due' above £0, you must then work out the tax charge itself. That excess is added to your other income for the year and taxed at the income tax rate that applies to that part of your income.

How is the tax calculated?

HMRC's Pension Tax Manual 051100 provides further information on how to calculate a tax charge.

The examples below are provided as a guide, but if you are unsure about the amount of tax you owe, you should seek independent advice.

To work out the tax charge, treat the 'amount on which tax is due' as extra income for the year. Add it to your salary and then apply the income tax rate that covers that part of your income. In some cases, the whole amount will fall into one tax band. In other cases, it may be split across two or more bands. The tax rates are different in Scotland and in the rest of the UK. The 2025/26 rates are set out below.

Income Bands - England, Wales & Northern Ireland (E,W&NI)	Rate
Up to £12,570 (Personal Allowance)	0%
£12,571 – £50,270 (Basic rate)	20%
£50,271 – £125,140 (Higher rate)	40%
Over £125,140 (Additional rate)	45%

Income Bands - Scotland	Rate
Up to £12,570 (Personal Allowance)	0%
£12,571 - £15,397 (Starter rate)	19%
£15,398 - £27,491 (Basic rate)	20%
£27,492 - £43,662 (Intermediate rate)	21%
£43,663 - £75,000 (Higher rate)	42%
£75,001 - £125,140 (Advanced rate)	45%
Over £125,140 (Additional rate)	48%

Worked examples

Example 1: The full excess is taxed at 40% (England, Wales and Northern Ireland)

- Salary: £72,000.
- Amount on which tax is due: £15,000.
- Add these together: £72,000 + £15,000 = £87,000.
- Because £87,000 is still below £125,140, the whole £15,000 excess stays in the higher-rate band.
- Tax charge: £15,000 × 40% = £6,000.

Example 2: Part of the excess is taxed at 40% and part at 45% (England, Wales and Northern Ireland)

- Salary: £120,000.
- Amount on which tax is due: £15,000.
- Add these together: £120,000 + £15,000 = £135,000.
- This total goes above £125,140, so the £15,000 excess is split across two tax bands.
- The part up to £125,140 is £5,140. Tax on this part: £5,140 × 40% = £2,056.
- The remaining part is £15,000 − £5,140 = £9,860. Tax on this part: £9,860 × 45% = £4,437.
- Total tax charge: £2,056 + £4,437 = £6,493.

Once you have worked out your tax charge, the next step is to tell HMRC through a Self Assessment Tax Return. If you still need to register for Self Assessment, go to Part 3. If you are already registered, go straight to Part 4.

Part 3 - Registering for Self Assessment

If you have an Annual Allowance tax charge, you must tell HMRC by filing a Self Assessment Tax Return (SATR). This section gives general guidance, so you should also check HMRC's website. If you are already registered for Self Assessment, go straight to Part 4.

How to register

To register for Self Assessment, you can either watch this HMRC video:

How do I register online for Self Assessment if I'm not self-employed?

or

Visit Register for Self Assessment and follow the on-screen instructions.

Points to note

- Register for Self Assessment by 5 October after the end of the tax year in which the charge arose.
- You can register after this date, but you must still file your return and report the charge by 31 January 2027.
- Online tax returns must be submitted by 31 January following the end of the tax year.
- Paper tax returns must be submitted by 31 October following the end of the tax year.
- Late submission may result in penalties from HMRC.

Part 4 - Completing your Self Assessment Tax Return

This part explains how to report your Annual Allowance tax charge on your Self Assessment Tax Return (SATR). There are two ways to file: online or on paper. Use Part 4a for an online return and Part 4b for a paper return.

Self Assessment points to note

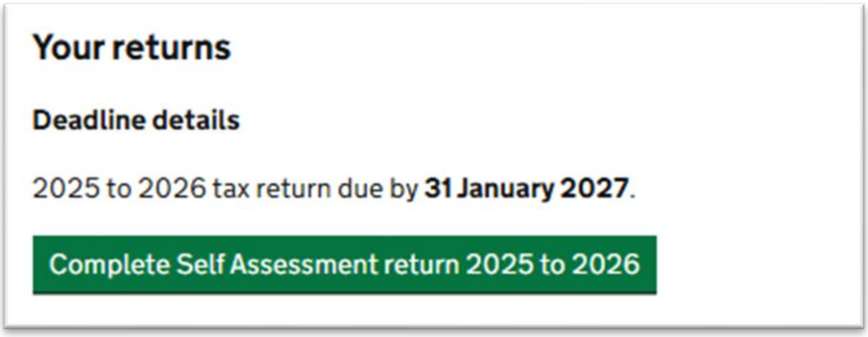
- Always enter your AA charge in the 'Pension savings tax charges' section, not in the standard pension income section.
- If you enter it in the wrong place, HMRC may treat it as pension income already in payment. That can remove options such as Scheme Pays.
- If you intend to use Scheme Pays, you must still notify HMRC via Self Assessment and complete the Scheme Pays process detailed in Part 5.

Part 4a - Completing an online Self Assessment Tax Return

Step 1: Log in to file your Self Assessment Tax Return

Go to File your Self Assessment tax return online (Gov.UK) and sign in with your Government Gateway or GOV.UK One Login account.

Once logged in, select Self Assessment and then select “Complete Self Assessment return 2025 to 2026”, as highlighted below.



Read the information and then select ‘Start now’.

Step 2: Complete ‘Tailor your return’

To report an Annual Allowance charge, you must complete the ‘Tailor your return’ section. This is section 3 in the ‘File a return’ menu. Answer the questions based on your circumstances.

Step 3: Confirm the pension savings question

This section has three pages of questions. On page 2, answer Yes to: ‘Are you liable to pension savings tax charges or have you received payments from overseas pension schemes?’ Then complete the rest of the section and save your answers. When you return to the main menu, select ‘Pension Savings Tax Charges’.

Step 4: Fill in your return – if NOT using Scheme Pays

If you do not intend to use Scheme Pays, complete the following:

- In the box ‘Amount saved towards your pension, in excess of the Annual Allowance’, enter the ‘Amount on which tax is due’ from the HMRC calculator.
- No further pension savings information is required.
- Then submit your return as normal. HMRC will work out the tax bill.

Step 5: Fill in your return – if using Scheme Pays

If you plan to use Scheme Pays, complete these three boxes:

- ‘Amount saved in excess of the Annual Allowance’ – enter the ‘Amount on which tax is due’ from the HMRC calculator.
- 'Annual Allowance tax paid or payable by your pension scheme' – enter your calculated tax charge (see Part 2).
- 'Pension Scheme Tax Reference' – enter the reference 00817591RA (this is also shown in your PSS).

Step 6: Submit your return

Once all your information is complete, submit your Self Assessment return.

Part 4b - Completing a paper Self Assessment Tax Return

Step 1: Obtain form SA100 and supplementary form SA101 (2026)

Download both forms from the HMRC website (Gov.UK) or call HMRC on 0300 200 3610 to request paper copies.

Step 2: Complete SA101 (2026) – Additional Information

Enter your Annual Allowance charge details on supplementary form SA101, not on the main SA100 form. Go to page Ai4, box 10.

- **If you are not using Scheme Pays, complete Box 10 only**
  Box 10: Enter the figure from the HMRC calculator – the ‘Amount on which tax is due’.
  No further pension savings information is required.

- **If you are using Scheme Pays, complete Boxes 10, 11 and 12**
  Box 10: Enter the figure from the HMRC calculator – the ‘Amount on which tax is due’.
  Box 11: Enter your calculated tax charge (see Part 2).
  Box 12: Enter the Pension Scheme Tax Reference 00817591RA (this is also shown in your PSS).

Step 3: Submit your return

Once all your information is complete, submit your Self Assessment return.

Part 5 - Paying your Annual Allowance tax charge

Once you know you have a tax charge to pay, choose how you want to settle it. The table below gives a quick comparison of the three main options. You may be able to combine options, for example by using Scheme Pays for part of the charge and paying the rest directly.

Option	How it works	Things to consider
Option 1 – Scheme Pays	You ask the pension scheme to pay some or all of the charge to HMRC for you. In return, your pension and automatic lump sum will be reduced when your benefits are paid.	This avoids the need for an upfront payment now but will permanently reduce your pension. There may also be a limit on how much the scheme will pay; see your PSS.
Option 2 – Pay HMRC direct	You pay the tax charge yourself, usually through your Self Assessment account. HMRC also accepts other payment methods such as bank transfer and cheque.	This is an upfront cost to you. It will not affect your pension benefits. You must pay by the deadline. Late payment can lead to interest and possibly penalties.
Option 3 – PAYE code adjustment	HMRC may collect the charge through a change to your PAYE tax code, so the cost is spread across the following tax year instead of being paid in one sum.	This is only available for charges under £3000 and only if you meet HMRC's conditions and filing deadlines. It is not guaranteed.

Option 1: Scheme Pays

Scheme Pays allows you to ask the pension scheme to pay your tax charge to HMRC. In return, your pension (and automatic lump sum) will be permanently reduced when your benefits come into payment. The reduction is based on a conversion factor linked to your age, and it may be recalculated later if your retirement age changes. The reduction is also adjusted for inflation. Scheme Pays does not affect beneficiaries' pensions, children's pensions or the death-in-service lump sum. The process usually has three steps:

Step 1: Request and review a quote (optional)

This step is optional. You can contact DBS and ask for a Scheme Pays quote – see Annex D of your PSS for details. The quote letter (AFP15137L) will show how much your pension may be reduced. If you want to proceed with Scheme Pays, move to Step 2. If not, you will need to pay the charge using Option 2 or 3.

Step 2: Submit your Scheme Pays election (form or online) (essential)

To enter a Scheme Pays arrangement, you must complete the Scheme Pays election form (Form 17). This is available digitally on DefNet or manually on the AFPS GOV.UK website. Links are in the table below.

Defence Network Only (Digital Form)	Gov.UK Internet Site (Manual Form)
AFPS Form 17 - defnet - Power Apps	Veterans' UK Armed Forces pension and insurance declaration forms

Step 3: Receive confirmation

DBS will write to confirm your Scheme Pays election has been accepted and processed. Keep this letter. Do not assume the process is complete until you receive written confirmation.

Scheme Pays – key points to remember

- You must still file a Self Assessment Tax Return to declare your charge, even if you are using Scheme Pays.
- There is usually a maximum amount the scheme will pay – refer to Annex C of your PSS.
- The pension reduction is calculated at the time of the election and is permanent.
- If you do not receive written confirmation, the process is not complete and you should contact DBS.

Option 2: Pay HMRC direct

You can pay the charge directly to HMRC through your online Self Assessment account. HMRC accepts several payment methods. See their website (Gov.UK) for details.

Be aware that paying through Self Assessment for the first time may also trigger ‘payments on account’. These are advance payments towards next year’s tax bill. See HMRC’s website (Gov.UK) for more information.

Option 3: Pay through your PAYE tax code

HMRC may be able to collect the charge through your PAYE tax code if all of the following apply:

- You owe less than £3,000 on your tax bill (you cannot make a part payment to meet this threshold).
- You already pay tax through PAYE.
- You submitted your paper tax return by 31 October, or your online tax return by 30 December.

You will not be able to use your tax code if any of the following apply:

- You do not have enough PAYE income for HMRC to collect the charge.
- You would pay more than 50% of your PAYE income in tax.
- You would end up paying more than twice as much tax as you normally do.
- You owed £3,000 or more but made a part payment to reduce the amount to less than £3,000.

To use this method, opt in when you file your tax return. HMRC will then collect the charge from your salary or pension in instalments over 12 months.

Part 6 - Useful contacts and further information

Use this section if you need official guidance, help with your tax return, or contact details for Armed Forces pensions queries.

Useful links/websites

HMRC (Official Government Guidance)

Tax on your private pension contributions: Annual allowance - GOV.UK
Who must pay the pensions annual allowance tax charge - GOV.UK
HMRC Annual Allowance Calculator
Register for Self Assessment - GOV.UK
How to complete your Self Assessment tax return for the last tax year - GOV.UK
File your Self Assessment tax return online - GOV.UK
Pay your Self Assessment bill - GOV.UK
Payments on account (Self Assessment) - GOV.UK

Money Helper (A government-backed guidance service with plain-English explanations, examples, and practical guidance)

https://www.moneyhelper.org.uk/en/pensions-and-retirement/tax-and-pensions/the-annual-allowance

HMRC helpline

For help with Self Assessment, tax returns or your Annual Allowance charge:

HMRC Self Assessment helpline: 0300 200 3310
Opening hours: Monday to Friday, 8am to 6pm.

DBS contact information

For Armed Forces pensions queries, contact the Joint Personnel Administration Centre (JPAC):
Joint Personnel Administration Centre (JPAC)
Mail Point 480
Kentigern House
65 Brown Street
Glasgow
G2 8EX

Telephone: 0800 085 3600
Telephone (from overseas): 0044 141 224 3600
Email: dbs-pensionshelp@dbspv.mod.uk

Summary checklist

Use this checklist to keep track of each step and make sure nothing is missed.

☐ Received and read my PSS.
☐ Gathered figures from the Pension Savings Table (PIA, threshold income, adjusted income).
☐ Gathered details of any other pension savings or income.
☐ Completed the HMRC AA Calculator.
☐ Noted the 'amount on which tax is due' from the results.
☐ Calculated my actual tax charge (Part 2).
☐ Registered for Self Assessment (if not already registered).
☐ Completed my Self Assessment Tax Return with the AA charge details.
☐ Decided how to pay my charge (Scheme Pays / direct / PAYE code).
☐ Submitted Scheme Pays election form and received written confirmation (if applicable).
☐ Paid any direct charge to HMRC by the deadline.
☐ Kept copies of all correspondence and confirmation letters.

Disclaimer: *This guide is for general information only and does not constitute financial, tax or legal advice. Tax rules and HMRC processes can change. The figures quoted (Annual Allowance limits, income thresholds, tax rates) are for tax year 2025/26. Always check the current rules with HMRC or seek independent financial advice if you are unsure about your personal circumstances.*