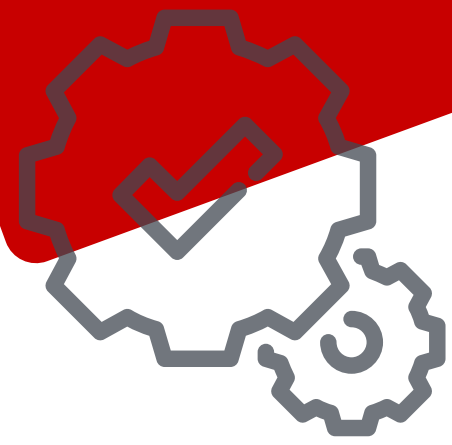


Annual allowance

tax threshold 24/25



What we do for members

Each tax year we identify your members who exceed the annual allowance tax threshold set by the government. For tax year 2024/25 this was £60,000.

When members exceed the threshold we must, by the statutory deadline 6 October, tell them

- what their pension savings growth is in that tax year, and
- what their pension savings growth was in the previous three tax years.

The calculation is based on the growth in the benefits from the start to the end of the tax year.

What members do for themselves

Members have to assess if they have a tax charge and if they do, complete a tax return and arrange payment of the charge to HMRC. In some cases, members can ask the scheme to pay the charge in exchange for a reduction to their pension.

How we identify potential **breaches** of the threshold

When we run benefit calculations, we do an annual allowance calculation based on the member's record.

This can be when we run

- an annual pension statement for an active member
- a deferred benefit calculation for a member who has left, or
- a retirement calculation for a member who is retiring.

If the calculation shows the member is near to or over the £60,000 threshold, we carry out a thorough annual allowance check – this is when we **need your help** to provide specific pay information.

What we need from you throughout the tax year

Look out for the **INFORMATION FOR HMRC CHECK** emails we send mainly from April to August but throughout the tax year. They're for annual allowance checks and you should respond **urgently**.

We will need

- accurate final pay and cumulative pensionable pay so we can calculate benefits at the end of each of the relevant tax years (see important note about arrears of pay below).

We'll need this data from you **on time** so we can send members the information they need before the 6 October statutory deadline.



HMRC can impose fines for missed deadlines and fines may be passed on to FRAs if they're at fault for not providing the requested information on time.



What about...

Arrears of pay

When you calculate final pay for annual allowance checks, include/exclude pay award amounts as detailed below.

Pay increase is agreed before the end of the relevant tax year

If a pay increase is agreed before the end of the tax year (so it was known about at the relevant 5 April) you should take the pay increase into account when providing the pay.

Pay increase is agreed after the end of the relevant tax year

If a pay increase is agreed after the end of the tax year the pay increase should not be included when providing the pay.

Which members are more at risk of breaching the annual allowance?

Breaches tend to affect members in one or more of these scenarios:

- they are higher earners
- they have a lot of scheme membership and receive a significant pay increase
- they have linked periods of Firefighters' Pension Scheme (FPS) or public sector scheme membership on a higher pay (if such periods retain final pay protection)
- they are members of another pension scheme (for example, they have a main or second employment elsewhere) – the annual allowance across all schemes must be added together.

For more information and further detailed guidance please see:

Info for members

Tax on pension savings (wypf.org.uk)

Calculating pay

What is pensionable pay and assumed pensionable pay? (wypf.org.uk)

Source

Firefighters' Pension Schemes Regulations and Guidance national website