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Special annual allowance: Contents

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Basic principles: Contents

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RPSM15100020 - Technical Pages: Special annual allowance: Basic principles:

The special annual allowance charge

[s72 FA09]

The Government has announced that, from 6 April 2011 onwards, it intends to restrict higher rate tax relief on pension contributions for individuals with an annual income of £150,000 or more. In anticipation of this change, there is a special annual allowance and associated tax charge from 2009-2010 that applies in respect of individuals who bring forward their pension contributions or otherwise make new or additional pension saving ahead of 6 April 2011.

Glossary ([RPSM20000000](#))

RPSM15100030 - Technical Pages: Special annual allowance: Basic principles: Who does it apply to?

Who does the special annual allowance charge apply to?

[para 1 Sch 35 FA09]

The special annual allowance applies only in respect of individuals who:

- have 'relevant income' of £150,000 or more in certain tax years (see [RPSM15101000](#)), and
- have made pension saving on or after 22 April 2009 (or pension saving has been made for them, such as by an employer) that is not 'protected' from the special annual allowance (see [RPSM15102000](#) and [RPSM15103000](#)), and
- that pension savings which is not 'protected' is greater than their special annual allowance (see [RPSM15102000](#)).

Glossary ([RPSM20000000](#))

RPSM15100040 - Technical Pages: Special annual allowance: Basic principles: How much is it?

How much is a special annual allowance?

[para 1(4)&(5) para 17 Sch 35 FA 09]

The special annual allowance for an individual will either be

- £20,000, or
- in certain circumstances, an amount greater than £20,000 but subject to a maximum of £30,000.

However, the amount of an individual's special annual allowance is reduced to take account of normal regular pension savings and, for the 2009-2010 tax year, pension saving made before 22 April 2009.

Glossary ([RPSM20000000](#))

RPSM15100050 - Technical Pages: Special annual allowance: Basic principles: SAA and AA

The special annual allowance and the annual allowance

The special annual allowance applies alongside the **annual allowance**. In practice this means that all increases in pension savings –**pension input amounts** - continue to be tested against the annual allowance in the usual way. However, any pension input amounts that are made by, or in respect of, an individual in the period starting with 22 April 2009 and ending on 5 April 2011 that are not 'protected' are tested against the special annual allowance as well, where that individual has relevant income of £150,000 or more

Glossary ([RPSM20000000](#))

RPSM15100060 - Technical Pages: Special annual allowance: Basic principles: Protected pension inputs

What are protected pension input amounts?

[para 3 Sch 35 FA 09]

Pension input amounts that represent

- certain pension saving that has continued to be made on a regular basis since before 22 April 2009 (see [RPSM15103000](#)), or
- certain pension saving set up on or after 22 April 2009 (see [RPSM15104000](#))

are not tested against the special annual allowance. Such pension inputs are called protected pension input amounts.

Also, certain pension inputs made in the period beginning with 6 April 2009 and ending on 21 April 2009 are not tested against the special annual allowance. These input amounts are called 'pre-22 April 2009 pension input amounts' (see [RPSM15100570](#)).

These **pension input amounts** continue to be tested against the **annual allowance** in the usual way, together with pension input amounts that are not protected from the special annual allowance.

[para 1(5) Sch 35 FA 09]

However, protected pension input amounts and pre-22 April 2009 pension input amounts have a bearing on an individual's special annual allowance as the allowance gets reduced by the amount of the protected pension input amounts and pre-22 April 2009 pension input amounts. This can have the effect of reducing the allowance to nil if these amounts are more than, or equal to, the special annual allowance.

[para 13 Sch 35 FA 09]

Some forms of pension savings set up during the 2009-2010 or 2010-2011 tax years, despite being new, still fall into the category of a protected pension input amount, for example where an employer's pension **arrangements** are changed as part of corporate restructuring. This is subject to certain conditions being satisfied (see [RPSM15104000](#)).

Glossary ([RPSM20000000](#))

RPSM15100070 - Technical Pages: Special annual allowance: Basic principles: Total adjusted pension inputs

Total adjusted pension input amounts

[para 3 Sch 35 FA 09]

The aggregate of the pension input amounts relating to an individual that are tested against the special annual allowance is called the total adjusted pension input amount. These are pension input amounts for an individual that were made in the 2009-2010 or 2010-2011 tax years but they will not include

- protected pension input amounts (see [RPSM15103000](#) and [RPSM15104000](#))
- relevant refunded amounts (see [RPSM15108000](#)), and
- for the 2009-2010 tax year only, pre-22 April 2009 pension input amounts (see [RPSM15100570](#)).

Glossary ([RPSM20000000](#))

RPSM15100080 - Technical Pages: Special annual allowance: Basic principles: Total adjusted input liable to SAAC

Where a total adjusted input amount is liable to the special annual allowance charge

[para 1(8) Sch 35 FA09]

A total adjusted pension input amount that exceeds the special annual allowance is subject to the **special annual allowance charge**. This tax charge, for 2009-2010, is at a rate of 20% on the amount by which the total adjusted pension input amount for the year exceeds the special annual allowance for the respective tax year. The tax charge will be collected from the individual through their Self-assessment return.

Glossary ([RPSM20000000](#))

RPSM15100090 - Technical Pages: Special annual allowance: Basic principles: Pension inputs liable to AA

Pension inputs liable to the annual allowance charge

Total pension input amounts, whether consisting of

- protected pension input amounts only,
- a total adjusted pension input amount only, or
- a mixture of both,

that exceed the **annual allowance** continue to be subject to the **annual allowance charge**. This annual allowance charge (at 40% for 2009-2010) is based on the amount by which the total **pension input amount** exceeds the annual allowance for the tax year concerned.

Glossary ([RPSM20000000](#))

RPSM15100100 - Technical Pages: Special annual allowance: Basic principles: Interaction of SAA and AA

How does the special annual allowance interact with the annual allowance?

[para 1(9) Sch 35 FA09]

The special annual allowance is much lower than the **annual allowance**, given that the current annual allowance for 2009-2010 is £245,000 and £255,000 for 2010-2011. Therefore, it is possible that an individual could have an adjusted pension input amount that is liable to the **special annual allowance charge** but not be liable to the **annual allowance charge**. However, if an individual ever became liable to both the special annual allowance charge and the annual allowance charge there is a reduction to the special annual allowance charge to prevent double-charging.

Glossary ([RPSM20000000](#))

RPSM15100110 - Technical Pages: Special annual allowance: Basic principles: Refunds of contributions

Refunds of contributions liable to the special annual allowance charge

[para 15 Sch 35 FA 09]

It is possible that individuals might enter into new pension saving on or after 22 April 2009 without realising that the pension saving is an adjusted pension input amount and that the **special annual allowance charge** applies in respect of some, or all, of that input amount. To allow for this, tax rules for personal pension schemes (including such schemes as retirement annuity contracts) and for certain additional voluntary contribution **arrangements** under **occupational pension schemes, public service pension schemes or group personal pension schemes** are extended. If the scheme permits it, a member who is potentially liable to the special annual allowance charge as a result of paying certain 'non-protected contributions', can receive a refund of those 'non-protected contributions' as an **authorised member payment**.

This will have the effect of reducing the adjusted pension input amount caused by the amount of those 'non-protected contributions' by the corresponding amount of the refund. The special annual allowance charge would then apply to the reduced amount of the adjusted pension input amount or, possibly, there would be no such charge at all if the adjusted pension input amount is made up only of the amount of the 'non-protected contributions' which are then refunded.

Such a refund will be a 'contributions refund lump sum'. There will be a tax charge in respect of such a refund (40% for contributions made in 2009-2010 and refunded in 2010-2011) and the scheme administrator of the pension scheme paying the refund will be liable for the charge.

Whether such refunds are permitted under the scheme will be a matter for those involved with the management of the scheme. Such potential refunds apply only in respect of contributions paid by, or on behalf of, the individual and do not include employer contributions paid in respect of the individual.

Glossary ([RPSM20000000](#))

RPSM15100120 - Technical Pages: Special annual allowance: Basic principles: Examples – not tax due

Examples of the application of the special annual allowance charge: no charge due

The following examples illustrate the basic principles on which the special annual allowance operates.

Example 1

Andrew has a total income of £55,000 in 2007-2008, £58,000 in 2008-2009, £59,000 in 2009-2010 and £60,000 in 2010-2011. Since his total income is less than £150,000 in all tax years, he is not affected by the special annual allowance.

Example 2

Belinda has relevant income of £158,000 in 2009-2010 and has total individual and employer pension contributions of £15,000 in the year (split equally between Belinda and her employer). Belinda has no other pension input amounts for the year. Although her income exceeds the £150,000 threshold, her total contributions are less than £20,000 so she is not subject to the **special annual allowance charge** for 2009-2010.

Note, the relevant income is still £150,000 or more even after allowing for a deduction in respect of Belinda's contributions of £7,500 (see [RPSM15101050](#)).

Example 3

Christine has relevant income of £158,000 in 2010-2011 and makes pension contributions of £24,000 during the year of £2,000 per month to an **arrangement** set up before 22 April 2009. Although her pension contributions are more than £20,000, they will not be subject to the special annual allowance charge because they only reflect her continuing, regular, pension savings that is a protected pension input amount for the tax year.

Note, the relevant income is still £150,000 or more even after allowing for a deduction of £20,000 in respect of Christine's contributions of £24,000 (see [RPSM15101050](#)).

Glossary ([RPSM20000000](#))

RPSM15100130 - Technical Pages: Special annual allowance: Basic principles: Examples – tax payable

Examples of the application of the special annual allowance charge: tax payable

The following examples illustrate the basic principles on which the special annual allowance operates.

Example 1

Frank has relevant income of £150,000 in 2009-2010 and makes pension contributions of £3,000 per month to an **arrangement** set up before 22 April 2009. Although Frank's pension contributions are more than £20,000, they will not be subject to the **special annual allowance charge** because they only reflect his continuing, regular, pension savings that is a protected pension input amount for the tax year.

Frank's special annual allowance is £20,000 but his special annual allowance for 2009-2010 is reduced by the amount of his protected pension input amount for the same tax year. As Frank's protected pension input amount is £36,000 for 2009-2010 (12 x £3,000) this has the effect of reducing his special annual allowance to nil for 2009-2010.

Frank pays a further contribution of £5,000 in 2009-2010, which is not a protected pension input amount. As Frank's special annual allowance for 2009-2010 is nil he is liable to a special annual allowance tax charge based on the whole of the £5,000 payment; the charge being £1,000 (£5,000 x 20%).

Note, the relevant income is still £150,000 or more even after allowing for a deduction of £20,000 in respect of Frank's contributions of £41,000 (see [RPSM15101050](#)).

Example 2

Howard has relevant income of £160,000 in 2009-2010 and has made monthly pension contributions of £1,000 per month throughout that tax year under an arrangement that was set up before 22 April 2009, giving a total protected pension input amount of £12,000.

Howard also makes a single contribution of £40,000 in the same tax year, which is not a protected pension input amount.

Due to previous lump sum payments that Howard has made he would have had a special annual allowance of £30,000 instead of the usual £20,000. However, because of the protected pension input amount of £12,000, Howard's special annual allowance for 2009-2010 is reduced to £18,000 (£30,000 - £12,000).

As the single contribution of £40,000 exceeds Howard's special annual allowance for 2009-2010 he will be subject to the special annual allowance charge in relation to that single contribution.

The charge does not apply in respect of the all of that contribution. Instead the charge applies in respect of the amount of the contribution that exceeds Howard's special annual allowance of £18,000, which is £22,000 (£40,000 - £18,000).

Howard is liable to a special annual allowance charge of £4,400 (£22,000 x 20%).

Note, the relevant income is still £150,000 or more even after allowing for a deduction of £20,000 in respect of Howard's contributions of £52,000 (see [RPSM15101050](#)).

Example 3

David has relevant income of £170,000 in 2010-2011 and makes pension contributions of £62,000. The contributions reflect an existing regular monthly contribution of £3,000 (as for previous years), which is a protected pension input amount, and a single payment of £26,000, which is not a protected pension input amount. Because of previous lump sum payments that

David has made he has a special annual allowance limit of £25,000 instead of the usual £20,000. However, as David's protected pension input amount of £36,000 (his continuing monthly contributions of £3,000) are more than his special annual allowance of £25,000, the additional single contribution of £26,000 will be subject in its entirety to the special annual allowance charge.

Note, the relevant income is still £150,000 or more even after allowing for a deduction of £20,000 in respect of David's contributions of £62,000 (see [RPSM15101050](#)).

Glossary ([RPSM20000000](#))

RPSM15100500 - Technical Pages: Special annual allowance: Overview: Contents

Overview: Contents

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RPSM15100510 - Technical Pages: Special annual allowance: Overview: What does SAA apply to?

To what does the special annual allowance apply?

[s72 FA09]

There is a special annual allowance for the tax years 2009-2010 and 2010-2011.

[para 3 Sch 35 FA09]

The special annual allowance applies in respect of **pension input amounts** that represent certain pension saving that is put into **registered pension schemes** during the 2009-2010 or 2010-2011 tax years. In 2009-2010, it applies to pension saving that is made in the period beginning on 22 April 2009 and ending on 5 April 2010 only.

For the purpose of the special annual allowance, the amount of such pension saving is the individual's 'total adjusted pension input amount'.

Glossary ([RPSM20000000](#))

RPSM15100520 - Technical Pages: Special annual allowance: Overview: Who it applies to

Does the special annual allowance apply to everyone?

[para 1 Sch 35 FA09]

The special annual allowance does not apply to everyone.

The special annual allowance applies only to individuals whose relevant income is £150,000 or more in the current tax year or in either of the previous two tax years (see [RPSM15101000](#)).

[para 2(2) Sch 35 FA09]

For the 2009-2010 tax year the special annual allowance applies to individuals

- whose relevant income is £150,000 or more in any of the 2007-2008, 2008-2009 or 2009-2010 tax years, and
- who have a total adjusted pension input amount in 2009-2010 that exceeds their special annual allowance.

For the 2010-2011 tax year the special annual allowance applies to individuals

- whose relevant income is £150,000 or more in any of the 2008-2009, 2009-2010 or 2010-2011 tax years, and
- who have a total adjusted pension input amount in 2010-2011 that exceeds their special annual allowance.

Glossary ([RPSM20000000](#))

RPSM15100530 - Technical Pages: Special annual allowance: Overview: What about the AA?

What about the annual allowance introduced in 2006?

The special annual allowance runs alongside the **annual allowance** that was introduced from the tax year 2006-2007 onwards for **registered pension schemes**.

Glossary ([RPSM20000000](#))

RPSM15100540 - Technical Pages: Special annual allowance: Overview: Existing pension savings

What about existing pension saving arrangements?

The special annual allowance does not apply to **pension input amounts** that represent continuing, regular, pension saving under **arrangements** that were in place immediately before 22 April 2009. Such amounts of pension saving are protected pension input amounts and, though not tested against the special annual allowance, they will continue to be tested against the **annual allowance** in the usual way (see [RPSM06100000](#)).

Glossary ([RPSM20000000](#))

RPSM15100550 - Technical Pages: Special annual allowance: Overview: What happens if SAA exceeded?

What happens if the special annual allowance is exceeded?

If the amount of new or additional pension saving, which is a total adjusted pension input amount, exceeds the special annual allowance there will be a **special annual allowance charge** in respect of the excess amount. The individual scheme member is liable to the charge. New or additional pension saving includes that made

- by the individual,
- on behalf of the individual (such as by a relative of the member) ,or
- in respect of the individual (by the individual's employer).

Glossary ([RPSM20000000](#))

RPSM15100560 - Technical Pages: Special annual allowance: Overview: What is the amount?

What is the amount of the special annual allowance?

[para 1(4), 1(5) & 17 Sch 35 FA09]

The amount of the special annual allowance will depend on the individual's circumstances. For both 2009-2010 and 2010-2011 an individual's special annual allowance will be, or be based on, one of the following amounts

- £20,000, or
- an amount greater than £20,000 but less than £30,000 (see [RPSM15102040](#)), or
- £30,000 (see [RPSM15102050](#)).

An individual's special annual allowance might only be based on one of the above figures because of the affect of certain **pension input amounts** for that individual reducing the amount of the individual's special annual allowance for the tax year concerned. Such reductions could mean the individual's special annual allowance being reduced to nil for a particular tax year (see [RPSM15102020](#)).

In 2009-2010, the special annual allowance, in effect, applies for the period beginning on 22 April 2009 and ending on 5 April 2010.

Glossary ([RPSM20000000](#))

RPSM15100570 - Technical Pages: Special annual allowance: Overview: Where the SAA is reduced

Where the special annual allowance is reduced due to existing pension contributions

[paras 8 to 13 Sch 35 FA09]

The amount of the individual's special annual allowance is reduced by

- protected pension input amounts, and
- 'pre-22 April 2009 pension input amounts'.

each of which are defined below.

Protected pension input amounts are certain amounts representing the individual's regular pension saving that has continued since before 22 April 2009 and new pension saving set up on or after 22 April 2009 (see [RPSM15103000](#) and [RPSM15104000](#)).

The 'pre-22 April 2009 pension input amounts' are an individual's **pension input amounts to other money purchase arrangements** that are made in the period starting on 6 April 2009 and ending on 21 April 2009 that represent contributions

- made by, or on behalf of, the individual or in respect of the individual by an employer, and
 - where those contributions are not made under an agreement for the payment of contributions on a quarterly or more regular basis.
-

RPSM15100580 - Technical Pages: Special annual allowance: Overview: Example of how calculated

Example of how the special annual allowance is calculated

On 6 April 2009 Mark has completed 10 years pensionable service in a **defined benefits** scheme where pension benefit accrues on a 1/60th accrual rate. His pensionable salary for that year is £145,000. Accordingly his pensionable entitlement on that date is £24,166 ($10 \times 1/60\text{th} \times £145,000$). A lump sum is available only by commutation of pension.

By 5 April 2010 Mark's pensionable salary had risen to £150,000. Accordingly his pensionable entitlement on that date is £27,500 ($11 \times 1/60\text{th} \times £150,000$).

Mark has relevant income exceeding £150,000 and Mark's special annual allowance would normally be £20,000.

A capital value is given to Mark's pension rights at 6 April 2009 and 5 April 2010 to determine the amount of increase to those rights. This is done by multiplying the amount of those respective pension rights by a factor of 10.

Mark's pension rights under this arrangement have increased by a value of £33,340 ($(£27,500 \times 10) - (£24,166 \times 10)$). The **pension input amount** for this arrangement is, therefore, £33,340.

Mark's only other rights accruing under this or any other **registered pension scheme** derived from a one-off contribution of £5,000 made on 15 April 2009 to a **personal pension scheme**, so his total pension input amount is £38,340 ($£33,340 + £5,000$).

The pension input amount for 2009-2010 of £33,340 in respect of Mark's defined benefits scheme is a protected pension input amount and so that input amount is not subject to the special annual allowance for that year.

The one-off contribution of £5,000 is a 'pre-22 April 2009 pension input amount' for 2009-2010 and that input amount is not subject to the special annual allowance.

However, what would have been Mark's special annual allowance of £20,000 for 2009-2010 is reduced by both the amount representing his protected pension input amount for that year and the amount representing the pre-22 April 2009 pension input amount. His special annual allowance for that year is reduced to nil (as $£33,340 + £5,000$ exceeds £20,000).

Therefore, if Mark did have any other pension input amounts for 2009-2010 that were not protected pension input amounts or pre-22 April 2009 pension input amounts all of those other input amounts would exceed Mark's special annual allowance of nil rather than £20,000. (Any such 'total adjusted pension input amount' would also be tested against the annual allowance because it would also be part of Mark's total pension input amount under the tax rules for the annual allowance.)

RPSM15100590 - Technical Pages: Special annual allowance: Overview: What is the tax charge?

What is the tax charge for exceeding the special annual allowance?

[para 1(8) Sch 35 FA09]

When an individual has a total adjusted pension input amount that exceeds the individual's special annual allowance the **special annual allowance charge** will apply in respect of the amount of the excess over the special annual allowance.

The special annual allowance charge will be at a rate of 20% in 2009/10. This is equal to the difference between the basic and higher rates of tax relief.

Glossary ([RPSM20000000](#))

RPSM15100600 - Technical Pages: Special annual allowance: Overview: Who is liable?

Who is liable for the special annual allowance charge?

[para 1(7) Sch 35 FA09]

The **special annual allowance charge** is an income tax charge on the individual scheme member who has exceeded the special annual allowance.

Example

For 2009-2010 Nigel has relevant income exceeding £150,000 and a protected pension input amount of £35,000 in respect of an existing pension saving **arrangement** with his employer that was in place before 22 April 2009. That input amount is not subject to the special annual allowance for 2009-2010.

Nigel's special annual allowance would normally be £20,000.

However, Nigel's special annual allowance for 2009-2010 is reduced by the amount representing his protected pension input amount for that year. His special annual allowance for that year is reduced to nil (as £35,000 exceeds £20,000).

In 2009-2010, and after 21 April 2009, Nigel starts a new pension saving arrangement under a personal pension scheme and pays in contributions of £4,000 in that year. This is the only other pension savings that Nigel has made for 2009-2010. These contributions mean that Nigel has a total adjusted pension input amount of £4,000 for 2009-2010.

The total adjusted pension input amount has exceeded Nigel's special annual allowance of nil for 2009-2010. Nigel is liable to the special annual allowance charge in respect of the total adjusted pension input amount of £4,000. The amount of the tax charge is £800 (£4,000 x 20%).

Glossary ([RPSM20000000](#))

RPSM15100610 - Technical Pages: Special annual allowance: Overview: What happens to the AA?

What happens to the annual allowance introduced on 6 April 2006?

The tax rules for pension schemes changed in 2006 when a new set of rules was introduced for pension schemes that qualify for tax reliefs and exemptions. One of the features of these rules is the **annual allowance** (see [RPSM06100000](#)).

For 2009-2010 the annual allowance is £245,000 and for 2010-2011 it is £255,000.

The annual allowance remains in place.

Glossary ([RPSM20000000](#))

RPSM15100620 - Technical Pages: Special annual allowance: Overview: Interaction of AA and SAA

How does the annual allowance interact with the special annual allowance?

[para 1(9) Sch 35 FA09]

The **annual allowance** will continue to apply as before in respect of all **pension input amounts** in respect of an individual. For the 2009-2010 and 2010-2011 tax years in particular the annual allowance will apply in respect of all pension input amounts whether those input amounts represent

- only protected pension input amounts
- only a total adjusted pension input amount, or
- a mixture of both.

However, the special annual allowance, and the possibility of a **special annual allowance charge**, will apply only in respect of individuals

- with relevant income of £150,000 or more in the current tax year or in the two previous tax years, and
- who have a total adjusted pension input amount in 2009-2010 or in 2010-2011 tax years.

If an individual has a total adjusted pension input amount for a particular tax year, the special annual allowance charge will apply only if that pension input amount is greater than the individual's special annual allowance for the tax year concerned. If that input amount is greater than the individual's special annual allowance, the special annual allowance charge will apply only in respect of that part of the input amount that is in excess of the special annual allowance.

As well as being liable to the special annual allowance charge in respect of a total adjusted pension input amount the individual might also be liable to the **annual allowance charge** in respect of a pension input amount that is included within the total adjusted pension input amount. Where this happens there is a provision to prevent a double tax charge (see [RPSM15107520](#)).

RPSM15100630 - Technical Pages: Special annual allowance: Overview: Enhanced protection

Enhanced protection and the special annual allowance

[para 49(3) Sch 36]

The special annual allowance may also apply to an individual who has registered to have enhanced protection of pension rights (see [RPSM03104000](#)).

If a total adjusted pension input amount arises in respect of an individual with enhanced protection, there is a risk that the enhanced protection status may be lost. It could also be lost if there is an input amount that is then refunded as a relevant refunded amount meaning that there is no total adjusted pension input amount for the individual.

Example

In 2006 Paula gave notice to HMRC about her intention to rely on enhanced protection. While she retains enhanced protection, she would not be subject to the lifetime allowance charge. She has a **money purchase arrangement** (which is not a **cash balance arrangement**) to which she has not contributed since 2005. Paula's relevant income was more than £150,000 in 2009-2010.

However, on 1 May 2009 she paid a contribution of £30,000 to her **personal pension scheme**. She did not know that the payment of the contribution has triggered a relevant benefit accrual (see [RPSM03104510](#)) leading to loss of enhanced protection and that the £30,000 contribution is not protected from the special annual allowance. This means that when she comes to take benefits from the money purchase arrangement, she will still be subject to the **lifetime allowance** in the normal way and there is a **special annual allowance charge** in respect of the £30,000 contribution.

Paula asks her **scheme administrator** if she may be permitted to have a refund of the contribution so that the special annual allowance might not apply in respect of the £30,000 contribution. The scheme administrator agrees to pay Paula a contributions refund lump sum and does so on 1 May 2010 as the payment cannot be made in the tax year of the original contribution. The scheme administrator deducts tax on the payment.

The payment of the contributions refund lump sum does not alter the fact that the payment of the contribution led to the loss of enhanced protection. However, in arriving at the amount of the total adjusted pension input amount, the payment of the refund contributions lump sum will reduce the amount for the tax year when the original contribution of £30,000 was paid – i.e. in 2009-2010.

Glossary ([RPSM20000000](#))

RPSM15101000 - Technical Pages: Special annual allowance: £150,000 limit: Contents

The £150,000 relevant income limit: Contents

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RPSM15101010 - Technical Pages: Special annual allowance: £150,000 limit

The £150,000 relevant income limit

[para 2 Sch35 FA09]

The special annual allowance charge does not apply to everyone. It applies only to individuals with 'relevant income' of £150,000 or more. In practice this means individuals with:

- relevant income of £150,000 or more, and
- who have a total adjusted pension input amount in the 2009-2010 or 2010-2011 tax years.

The £150,000 relevant income limit for a tax year applies in respect of the amount of income that relates to the individual in that tax year, and in either of the previous two tax years. In practice, this means:

- for the 2009-2010 tax year
 - the special annual allowance will apply to individuals whose income is £150,000 or more in any of the 2007-2008, 2008-2009 or 2009-2010 tax years, and
 - who have a total adjusted pension input amount for 2009-2010, and
- for the 2010-2011 tax year
 - the special annual allowance will apply to individuals whose income is £150,000 or more in any of the 2008-2009, 2009-2010 or 2010-2011 tax years, and
 - who have a total adjusted pension input amount for 2010-2011.

Glossary ([RPSM20000000](#))

RPSM15101020 - Technical Pages: Special annual allowance: £150,000 limit: What is relevant income?

What is relevant income for the purposes of the £150,000 limit?

[para 2 Sch35 FA09]

The 'relevant income' which needs to be taken into account for the purpose of the £150,000 income limit is arrived at after going through a step by step calculation before ending up with a figure to compare with the £150,000 or more figure. Pages [RPSM15101030](#) to [RPSM15101090](#) take you through these steps

Glossary ([RPSM20000000](#))

RPSM15101030 - Technical Pages: Special annual allowance: £150,000 limit: Relevant income – step 1

How to calculate relevant income: step 1 – total income

[para 2 Sch35 FA09]

To start, take the total amounts of the individual's income that are within the charge to income tax for the tax year in question. This is the amount of income that is the figure at the first stage of section 23 Income Tax Act 2007.

This figure of total income includes

- earnings from employment
- earnings from self-employment/partnerships
- most pensions income (State, occupational and personal pensions)
- interest on most savings
- income from shares (dividend income)
- rental income, and
- income received by an individual from a trust.

However, it does not include amounts giving rise to income tax liabilities which are not treated as income for general tax purposes in connection with

- the recovery of excessive relief where the individual's self-assessment for the tax year is final (for example, the withdrawal or reduction of Enterprise Investment Scheme relief or the recovery of excess credit for overseas tax),
- deduction of tax at source where the liability is not in respect of the individual's own liability, and
- stand-alone tax charges (for example tax charges in respect of an unauthorised payment from a registered pension scheme)

The full list of amounts not included in the 'total amount of income' is in sections 30 and 32 of Income Tax Act 2007.

Glossary ([RPSM20000000](#))

RPSM15101040 - Technical Pages: Special annual allowance: £150,000 limit: Relevant income – step 2

How to calculate relevant income: step 2 – pension contributions under net pay arrangements or corresponding relief

[para 2 Sch35 FA09]

Add to the amount of the total income figure found in Step 1 (see [RPSM15101030](#)) the amount of any pension contributions made in the tax year under

- the net pay arrangement, or
- under the corresponding relief provisions in accordance with paragraph 51, Schedule 36 of the Finance Act 2004.

In particular, the net pay arrangement operates where the employer deducts contributions from the employment income before deducting any tax from that income under the PAYE payroll procedures within an **occupational pension scheme** or, where appropriate, **public service pension schemes**.

For the purpose of the £150,000 income limit, an individual's income in respect of a particular tax year includes amounts before any deductions are made under net pay arrangements. In other words, such contributions should be added to the total income of the individual as part of the steps to see whether the income limit is reached.

Member contributions to **registered pension schemes** which obtain tax relief by a method other than under net pay (such as under relief at source arrangements or on making a claim under the individual's self-assessment tax return) are made from taxed income and so are already included in the total income figure at Step 1. Therefore no adding in of such amounts is required.

See [RPSM13101100](#) onwards for more details about the corresponding relief provisions.

Glossary ([RPSM20000000](#))

RPSM15101050 - Technical Pages: Special annual allowance: £150,000 limit: Relevant income – step 3

How to calculate relevant income: step 3 – certain losses and other reliefs

[para 2 Sch35 FA09]

Deduct from the figure after Step 2 (see [RPSM15101040](#)) amounts upon which the individual was entitled to tax relief for the tax year concerned and which arise under the list in section 24 of the Income Tax Act 2007. They are mainly concerned with deductions for trade and property losses, but do include some other items.

References in this list are also to the Income Tax Act 2007.

The list includes,

- trade loss relief against general income (section 64)
- carry-forward trade loss relief (section 83)
- terminal trade loss relief (section 89)
- post-cessation trade relief (section 96)
- carry-forward property loss relief (section 118)
- property loss relief against general income (section 120)
- post-cessation property relief (section 125)
- employment loss relief against general income (section 128)
- share loss relief (Chapter 6 of Part 4)
- loss relief against miscellaneous income (section 152)

Some types of loss relief can be deducted only from the kind of income that gave rise to the loss, and the amount the individual is entitled to for the year is therefore limited to the amount of that kind of income. For example, the individual has carry-forward trade losses of £5,000 for 2009-10 but their trading income for that year is £3,000. The individual is therefore entitled to carry-forward trade loss relief of £3,000 for the purposes of Step 3.

Note that tax relief on pension contributions under sections 193(4) or 194(1) of the Finance Act 2004, relief on making a claim, should not be deducted at this step.

Glossary ([RPSM20000000](#))

RPSM15101060 - Technical Pages: Special annual allowance: £150,000 limit: Relevant income – step 4

How to calculate relevant income: step 4 – relievable pension contributions

[para 2 Sch35 FA09]

From the amount found after Steps 1, 2 & 3 (see [RPSM15101030](#) to [RPSM15101050](#)), deduct the amount of any of the following:

- **relievable pension contributions** paid by, or on behalf of, the member during the tax year (this does not include contributions paid by an employer);
- any contributions in respect of which the individual is entitled to a tax reduction under section 788 of the Income and Corporation Taxes Act 1988, relief by agreement with other territories, and
- any contributions paid by the individual that qualify for relief under the corresponding relief provisions in accordance with paragraph 51, Schedule 36 of the Finance Act 2004, pre-6 April 2006 entitlement to corresponding relief.

This Step is subject to a maximum deduction of £20,000. If an individual had relievable contributions of more than £20,000 for the particular tax year being considered to determine whether the £150,000 threshold has been reached or not, the amount in excess of £20,000 cannot be deducted. For example, where an individual had made contributions of £50,000 the maximum deduction that can be made is £20,000 and not £50,000.

Glossary ([RPSM20000000](#))

RPSM15101070 - Technical Pages: Special annual allowance: £150,000 limit: Relevant income – step 5

How to calculate relevant income: step 5 – salary sacrifice

[para 2 Sch35 FA09]

Salary sacrifice is where an employee's employment income is reduced in exchange for the employer providing some other benefit. In this context, the employee's remuneration is reduced in exchange for a pension contribution by the employer. This step applies only if the salary sacrifice was agreed on or after 22 April 2009.

For the purpose of calculating the income of an individual to compare with the £150,000 or more limit, add back to the amount found after Step 4 any amount which has been agreed between the employee and the employer as being sacrificed in exchange for employer pension contributions.

For this purpose, 'a pension contribution by the employer' means an individual's employer, or some other person,

- agreeing to pay contributions (or additional contributions) to a pension scheme in respect of the individual, or
- agreeing to secure increased benefits under any pension scheme, whether by a contribution or by some other means, to which any of the following have an actual or prospective entitlement
 - the individual
 - a dependant of the individual, or
 - any person connected with the individual.

Section 993 of the Income Tax Act 2007 defines a 'connected person' for this purpose.

A 'salary' sacrifice would also include the sacrificing of other types of payments that might otherwise have been chargeable to tax as employment income, such as a bonus sacrifice or a redundancy sacrifice.

Salary sacrifice arrangements made by each employee under an 'umbrella' salary sacrifice scheme set up by an employer before 22 April 2009 are not necessarily always going to be pre-22 April 2009 salary sacrifice arrangements that, therefore, do not need to be added back under this Step 5. The date the individual makes the salary sacrifice under the umbrella scheme will determine whether it is a pre-22 April 2009 salary sacrifice or not.

If the salary sacrifice under the umbrella scheme has to be renewed by the individual annually, for example, any salary sacrifice linked to pension arrangements relating to a renewal made on or after 22 April 2009 will have to be added back.

However, an individual would still have a pre-22 April 2009 salary sacrifice agreement where that pre-22 April 2009 agreement has a 'default clause' that means the existing agreement pre-22 April 2009 salary sacrifice level will continue in the absence of any renewal made by the individual.

Glossary ([RPSM20000000](#))

RPSM15101080 - Technical Pages: Special annual allowance: £150,000 limit: Relevant income – step 6

How to calculate relevant income: step 6 – gift aid

[para 2 Sch35 FA09]

Deduct from the amount found after 'Step 5' (see [RPSM15101070](#)) the amount that represents any donations made in the tax year that qualify for 'gift aid' under Chapter 2 of Part 8 of the Income Tax Act 2007. This amount can also include amounts of qualifying donations that are treated as made in the same tax year under an election to carry back relief.

Glossary ([RPSM20000000](#))

RPSM15101090 - Technical Pages: Special annual allowance: £150,000 limit: Amount of relevant income

The amount of relevant income

The amount found after Step 6 (see [RPSM15101080](#)) is the 'relevant income figure'.

If the amount is £150,000 or more, then the special annual allowance provisions will apply. If total adjusted pension input amounts exceed the individual's available special annual allowance, then the **special annual allowance charge** will apply.

An employer contribution which is not linked in any way with a salary sacrifice is not included in the individual's total income amount.

The first £30,000 of a redundancy payment that is not subject to income tax is not included as part of the individual's total income. However, the amount of a redundancy payment over the first £30,000 does have to be included as part of the individual's total income.

Glossary ([RPSM20000000](#))

RPSM15101100 - Technical Pages: Special annual allowance: £150,000 limit: Example of relevant income calculation

Example of how relevant income is calculated

The calculation is for the 2009-2010 tax year

Step 1

Mark's taxable employment income for the tax year 2009-2010 is £142,000 and other taxable income for the year of £20,000.

Mark's total income for the year is £162,000 (£142,000 + £20,000)

Step 2

Mark's taxable employment income for the year would have been greater but for contributions of £9,000 that he made in the tax year to a **registered pension scheme** under the net pay arrangement.

The amount of those contributions is added to the 'Step 1' figure, giving an amount of £171,000 (£162,000 + £9,000)

Step 3

Mark did not have any qualifying loss or other reliefs

The amount found after this step, therefore, is still £171,000

Step 4

As well as the contributions of £9,000 under the net pay arrangement, Mark also made 'net' contributions of £10,000 to a **personal pension scheme** in the same year under the 'relief at source' arrangements. This relievable contribution that Mark made for the year in respect of the personal pension scheme is 'grossed up' to an amount of £12,500.

The total relievable contributions are £21,500 (£9,000 + £12,500) but only £20,000 can be deducted from the amount found at Step 3, giving an amount of £151,000 (£171,000 - £20,000)

Step 5

No salary sacrifice arrangement was made in the tax year.

The amount found after this step, therefore, is still £151,000

Step 6

Mark made a 'gift aid' qualifying donation of £500 in the tax year. This represents £625 (when the donation of £500 is grossed up), which is the amount deducted from the amount found at Step 5.

This gives an amount of £150,375 (£151,000 - £625), which is Mark's relevant income amount for the 2009-2010 tax year.

Mark's relevant income for 2010-2011 is £140,000 and in 2008-2009 it was £130,000. However, as Mark's relevant income amount for 2009-2010 was £150,375 Mark's relevant income amount for 2010-2011 is taken to be at the £150,000 threshold for 2010-2011 even though the actual amount of relevant income for that year was £140,000.

RPSM15101110 - Technical Pages: Special annual allowance: £150,000 limit: Anti-avoidance

Anti-avoidance rule for relevant income

[para 2(3) Sch35 FA09]

Where an individual enters into a scheme or arrangement with the aim of reducing their relevant income below the £150,000 threshold, then the legislation assumes the relevant income to be £150,000. This rule would apply if the scheme was designed to affect any of the steps taken to arrive at relevant income, for example, by reducing income by moving some into another year or by turning it into capital, and by increasing deductions by using artificial losses etc.

Note - the terms 'scheme' or 'arrangements' are used here in the sense of avoidance devices rather than pension schemes or pension **arrangements**. Such a 'scheme' or 'arrangement' includes any agreement, understanding, transaction or series of transactions (whether or not legally enforceable).

Glossary ([RPSM20000000](#))

RPSM15102000 - Technical Pages: Special annual allowance: Amount: Contents

Amount of the special annual allowance: Contents

RPSM15102010	What factors affect the amount of the special annual allowance?
RPSM15102020	The amount of the special annual allowance
RPSM15102030	When the special annual allowance is £20,000
RPSM15102040	When the special annual allowance is between £20,000 and £30,000
RPSM15102050	When the special annual allowance is £30,000
RPSM15102060	Infrequent money purchase contributions
RPSM15102070	Infrequent money purchase contributions – the relevant mean
RPSM15102080	Example 1 of individual who has made both infrequent contributions in the last 3 tax years and having continuing regular pension saving that is a protected pension amount
RPSM15102090	Example 2 of individual who has made both infrequent contributions in the last 3 tax years and having continuing regular pension saving that is a protected pension amount
RPSM15102100	Example 3 of individual who has made both infrequent contributions in the last 3 tax years and having continuing regular pension saving that is a protected pension amount

RPSM15102010 - Technical Pages: Special annual allowance: Amount: Factors affecting the amount

What factors affect the amount of the special annual allowance?

[para 1(4)&(5) & para 17 Sch 35 FA 09]

The amount of an individual's special annual allowance will depend on the following factors

- whether or not contributions have been paid to an **other money purchase arrangement** in any of the tax years 2006-2007, 2007-2008 and 2008-2009
- if so, whether they were paid on an 'infrequent basis' or not
- if paid on an infrequent basis, the average amount of those infrequent contributions (see [RPSM15102030](#) to [RPSM15101050](#))
- whether the individual has any protected pension input amounts (see [RPSM15103000](#) and [RPSM15104000](#)), and
- for 2009-2010 only, whether the individual has any pre-22 April 2009 pension input amounts (see [RPSM15100570](#)).

Glossary ([RPSM20000000](#))

RPSM15102020 - Technical Pages: Special annual allowance: Amount

The amount of the special annual allowance

For both 2009-2010 and 2010-2011 an individual's special annual allowance will be, or be based on, one of the following amounts

- £20,000, or
- an amount greater than £20,000 but less than £30,000, or
- £30,000.

An individual's special annual allowance might only be based on one of the above figures because of the way certain **pension input amounts** for that individual reduce the amount of the individual's special annual allowance for the tax year concerned. Such reductions could mean the individual's special annual allowance being reduced to nil for a particular tax year.

For example, an individual might have a special annual allowance based on £30,000 for one tax year and an actual special annual allowance of £30,000 for the other tax year. If, say, the individual has a protected pension input amount (see [RPSM15103000](#) and [RPSM15104000](#)) of £20,000 for 2009-2010 and no protected pension input amount for 2010-2011, the individual's special annual allowance for 2009-2010 is £10,000 (£30,000 -£20,000) and £30,000 for 2010-2011.

Glossary ([RPSM20000000](#))

RPSM15102030 - Technical Pages: Special annual allowance: Amount

When the special annual allowance is £20,000

[para 1(4)&(5) Sch 35 FA 09]

An individual will have a special annual allowance of £20,000 in any of the following circumstances

- no contributions have been paid to an **other money purchase arrangement** in relation to the individual in any of the tax years 2006-2007, 2007-2008 and 2008-2009
- contributions have been paid to an other money purchase arrangement in relation to the individual in any of the tax years 2006-2007, 2007-2008 and 2008-2009 but none of those contributions have been made on an 'infrequent' basis
- contributions have been paid to an other money purchase arrangement in relation to the individual in any of the tax years 2006-2007, 2007-2008 and 2008-2009 and
 - those contributions are, or include, contributions paid on an 'infrequent' basis (see [RPSM15102060](#)), but
 - the average amount of those infrequent contributions over the 3 years does not exceed £20,000 (see [RPSM15102070](#)).

However, such an individual might only have a special annual allowance based on this amount of £20,000 because of the way certain pension input amounts for that individual reduce the amount of the individual's special annual allowance for the tax year concerned. Such reductions could mean the individual's special annual allowance being reduced to nil for a particular tax year.

For example, an individual might have a special annual allowance based on £20,000 for one tax year and an actual special annual allowance of £20,000 for the other tax year. If, say, the individual has a protected pension input amount (see [RPSM15103000](#) and [RPSM15104000](#)) of £20,000 for 2009-2010 and no protected pension input amount for 2010-2011, the individual's special annual allowance for 2009-2010 is nil (£20,000 -£20,000) and £20,000 for 2010-2011.

Glossary ([RPSM20000000](#))

RPSM15102040 - Technical Pages: Special annual allowance: Amount

When the special annual allowance is between £20,000 and £30,000

[para 17(1)&(2) Sch 35 FA 09]

An individual will have a special annual allowance greater than £20,000 but less than £30,000 in the following circumstances

- contributions have been paid to an **other money purchase arrangement** in relation to the individual in any of the tax years 2006-2007, 2007-2008 and 2008-2009
- those contributions are, or include, contributions paid on an 'infrequent' basis – 'infrequent money purchase contributions' (see [RPSM15102060](#)), and
- the average of the infrequent money purchase contributions for the 3 tax years – the 'relevant mean' - is more than £20,000 but less than £30,000 (see [RPSM15102070](#)).

However, the individual might only have a special annual allowance based on the amount between £20,000 and £30,000 because of the way certain pension input amounts for that individual reduce the amount of the individual's special annual allowance for the tax year concerned. Such reductions could mean the individual's special annual allowance being reduced to nil for a particular tax year.

For example, if the average amount of the infrequent money purchase contributions for an individual is £25,000, that individual's special annual allowance is £25,000 for the tax years 2009-2010 and 2010-2011.

The individual might have a special annual allowance based on £25,000 for one tax year and an actual special annual allowance of £25,000 for the other tax year. If, for example, the individual has a protected pension input amount (see [RPSM15103000](#) and [RPSM15104000](#)) of £20,000 for 2009-2010 and no protected pension input amount for 2010-2011, the individual's special annual allowance for 2009-2010 is £5,000 (being £25,000 -£20,000) and £25,000 for 2010-2011.

Glossary ([RPSM20000000](#))

RPSM15102050 - Technical Pages: Special annual allowance: Amount

When the special annual allowance is £30,000

[para 17(3) Sch 35 FA 09]

An individual will have a special annual allowance of £30,000 in the following circumstances

- contributions have been paid to an **other money purchase arrangement** in relation to the individual in any of the tax years 2006-2007, 2007-2008 and 2008-2009
- those contributions are, or include, contributions paid on an 'infrequent' basis 'infrequent money purchase contributions' (see [RPSM15102060](#)), and
- the average of the infrequent money purchase contributions over the 3 tax years - the 'relevant mean' - is £30,000 or more (see [RPSM15102070](#)).

However, such an individual might only have a special annual allowance based on this amount of £30,000 because of the way certain pension input amounts for that individual reduce the amount of the individual's special annual allowance for the tax year concerned. Such reductions could mean the individual's special annual allowance being reduced to nil for a particular tax year.

For example, if the average of the infrequent money purchase contributions for an individual is £55,000, that individual's special annual allowance is £30,000 for the tax years 2009-2010 and 2010-2011.

The individual might have a special annual allowance based on £30,000 for one tax year and an actual special annual allowance of £30,000 for the other tax year. If, for example, the individual has a protected pension input amount (see [RPSM15103000](#) and [RPSM15104000](#)) of £20,000 for 2009-2010 and no protected pension input amount for 2010-2011, the individual's special annual allowance for 2009-2010 is £10,000 (being £30,000 -£20,000) and £30,000 for 2010-2011.

Glossary ([RPSM20000000](#))

Infrequent money purchase contributions

[para 17(4) Sch 35 FA 09]

Contributions are paid to an **other money purchase arrangement** on an 'infrequent' basis where any of the following contributions are not paid on a quarterly, or more frequent, basis

- **relievable pension contributions** by the individual
- relievable pension contributions paid on behalf of the individual by someone other than the individual's employer
- contributions paid in respect of the individual by the individual's employer.

Such contributions are called 'infrequent money purchase contributions'.

Example 1

In 2006-2007 Abigail paid a one-off contribution on two occasions to an other money purchase arrangement under a **personal pension scheme**; the amounts being £215,000 and £200,000 respectively.

In 2007-2008 no contributions were paid to an other money purchase arrangement by, on or behalf of, Abigail and nor did Abigail's employer pay contributions to such an arrangement in respect of Abigail.

In 2008-2009 Abigail, again, paid a one-off contribution to the personal pension scheme of £50,000 and Abigail's employer paid a one-off contribution to the scheme of £50,000 as well.

All of the one-off contributions made by both Abigail and Abigail's employer are infrequent contributions as they were not made on a quarterly, or more frequent, basis.

[para 17(5) Sch 35 FA 09]

If the total amount of infrequent contributions paid to one or more other money purchase arrangements in any of the tax years 2006-2007, 2007-2008 or 2008-2009 exceeds the amount of the **annual allowance** for that tax year the total amount of the infrequent contributions for that particular year is capped at that annual allowance amount.

Example 2

Following on from Example 1, the one-off contributions that Abigail paid on two occasions in 2006-2007 represented a contribution of £215,000 paid in a pension input period that ended in 2006-2007 and a contribution of £200,000 paid in the following pension input period that ended in the next tax year.

As the total amount of the infrequent contributions for 2006-2007 (£215,000 + £200,000 = £415,000) exceeded the annual allowance for 2006-2007 (£215,000), Abigail's total amount of infrequent contributions for 2006-2007 is capped at £215,000.

RPSM15102070 - Technical Pages: Special annual allowance: Amount

Infrequent money purchase contributions – the relevant mean

[para 17(2)&(3) Sch 35 FA 09]

When infrequent contributions to an **other money purchase arrangement** have been paid in any of the tax years 2006-2007, 2007-2008 or 2008-2009 the average of those contributions is found by taking the average for those three tax years. If no such contributions were paid in one or two of those tax years the average is still taken over the three year period – the resulting figure is called the 'relevant mean'.

Example

Following on from Examples 1 and 2 on [RPSM15101060](#), Abigail's total amount of infrequent contributions to an other money purchase arrangement for the 3 tax years to 5 April 2009 is £315,000. This is made up of

2006-2007 - £215,000 (the actual amount paid in that tax year of £415,000 being capped at the amount of the annual allowance for that year)

2007-2008 - nil

2008-2009 - £100,000 (£50,000 paid by Abigail and £50,000 by Abigail's employer)

The average amount of Abigail's infrequent contributions is £105,000 ($[\text{£}215,000 + \text{'nil'} + \text{£}100,000]/3$)

Abigail's special annual allowance is £30,000 as the average amount of Abigail's infrequent contributions of £105,000 exceeds £30,000.

Glossary ([RPSM20000000](#))

RPSM15102080 - Technical Pages: Special annual allowance: Amount

Example 1 of individual who has made both infrequent contributions in the last 3 tax years and having continuing regular pension saving that is a protected pension amount

Justin has relevant income of £150,000 or more for the 2009-2010 tax year.

Justin has made infrequent money purchase contributions to a defined contribution (DC) pension scheme (i.e. to an **other money purchase arrangement**) in the 3 tax years ending on 5th April 2009. The relevant mean of those infrequent money purchase contributions is £40,000.

He also has benefits accruing under a **defined benefits** pension scheme that have continued to accrue since before 22 April 2009 and the basis on which the benefits have continued to accrue have changed during the 2009-2010 tax year. The **pension input amount** relating to these defined benefits is a protected pension input amount and the amount of that input for the 2009-2010 tax year is £15,000. This is the only protected pension input amount that Justin has for the 2009-2010 tax year and Justin has not made any infrequent money purchase contributions in the period beginning with the start of the 2009-2010 and ending on 21 April 2009 – there have been no ‘pre-22 April 2009 pension input amounts’.

As Justin has made infrequent money purchase contributions and the relevant mean of those contributions is £40,000, his special annual allowance for 2009-2010 (and 2100-2011) is set at £30,000. However, because of the protected pension input amount of £15,000 for 2009-2010 his special annual allowance for that tax year is reduced to £15,000 (being £30,000 - £15,000).

During the period beginning with 22 April 2009 and ending on 5 April 2010, Justin made further contributions to his DC pension scheme of £15,000 (the basis on which they were made was immaterial).

Justin’s total pension input amount for the 2009-2010 tax year is £30,000 (the value of the accrual under the defined benefits scheme plus the contributions to the DC scheme). His total adjusted pension input amount is £15,000 (the total input amount less the amount of the value of the defined benefit accrual, which is a protected pension input amount).

Justin’s total adjusted pension input amount of £15,000 does not exceed his special annual allowance of £15,000 for the tax year. As a consequence Justin has not exceeded his special annual allowance for the year so does not have any **special annual allowance charge** liability for that year.

In the 2010-2011 tax year the benefits under the defined benefits scheme continued to accrue on the same basis. However, the accrual of those benefits stopped during the tax year, which resulted in a reduced protected pension input amount in relation to those benefits of £5,000. That was the only protected pension input amount Justin had for that tax year. Therefore, Justin’s special annual allowance for 2010-2011 is £25,000 (being £30,000 - £5,000).

Glossary ([RPSM20000000](#))

RPSM15102090 - Technical Pages: Special annual allowance: Amount

Example 2 of individual who has made both infrequent contributions in the last 3 tax years and having continuing regular pension saving that is a protected pension amount

The same as Example 1 on [RPSM15102080](#) except that the relevant mean of Justin's infrequent money purchase contributions for the 3 tax years ending on 5 April 2009 is £10,000.

Although Justin has made infrequent money purchase contributions his special annual allowance for the 2009-2010 and 2010-2011 tax years is £20,000. However, Justin's special annual allowance for the 2009-2010 tax year is reduced to £5,000 (£20,000 less the protected pension input amount of £15,000).

Justin makes a further contribution of £5,000 to his defined contributions pension scheme. Justin is not liable to the **special annual allowance charge** as his total adjusted pension input amount is £5,000 and this amount does not exceed Justin's special annual allowance of £5,000 for that tax year.

Glossary ([RPSM20000000](#))

RPSM15102100 - Technical Pages: Special annual allowance: Amount

Example 3 of individual who has made both infrequent contributions in the last 3 tax years and having continuing regular pension saving that is a protected pension amount

As Example 1 on [RPSM15102080](#) except that Justin's protected pension input amount for 2009-2010 and 2010-2011 is represented by contributions to his defined contribution (DC) pension scheme that he made on a regular basis since before 22 April 2009; that regular basis being a monthly contribution of £1,250 per month. As well as these existing monthly contributions that Justin continued to pay his infrequent money purchase contributions were made up by way of one-off top-up payments that he made from time to time during the 3 tax years ending on 5 April 2009.

As the relevant mean of Justin's infrequent money purchase contributions is £40,000, his special annual allowance for 2009-2010 (and 2100-2011) is set at £30,000. However, because of the protected pension input amount of £15,000 for 2009-2010 and 2010-2011 his special annual allowance for those tax years is reduced to £15,000 (being £30,000 - £15,000).

During the period beginning with 22 April 2009 and ending on 5 April 2010, Justin made further contributions to his DC pension scheme of £15,000 (the basis on which they were made was immaterial).

Justin's total pension input amount for the 2009-2010 tax year is £30,000 (the total amount of the contributions to the DC scheme). His total adjusted pension input amount is £15,000 (the total input amount less the total amount of the regular monthly contributions of £1,250 per month, which is a protected pension input amount).

Justin's total adjusted pension input amount of £15,000 does not exceed his special annual allowance of £15,000 for the tax year. As a consequence Justin has not exceeded his special annual allowance for the year so does not have any **special annual allowance charge** liability for that year.

RPSM15103000 - Technical Pages: Special annual allowance: Protected inputs - existing: Contents

Protected pension input amounts - pension arrangements in existence immediately before 22 April 2009: Contents

- [RPSM15103010](#) Overview
 - [RPSM15103100](#) Defined benefits arrangements
 - [RPSM15103300](#) Other money purchase arrangements – occupational and public service and group personal pension schemes
 - [RPSM15103500](#) Cash balance arrangements
 - [RPSM15103600](#) Other money purchase arrangements – schemes that are not occupational and public service or group personal pension schemes
-

RPSM15103010 - Technical Pages: Special annual allowance: Protected inputs - existing: Overview: Contents

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-

RPSM15103020 - Technical Pages: Special annual allowance: Protected inputs - existing: Overview: Total inputs

Total pension input amounts

[para 3 & 8 to 12 Sch 35 FA 09]

The special annual allowance applies only in respect of individuals who:

- have 'relevant income' of £150,000 or more in certain tax years (see [RPSM15101000](#)), and
- have made pension saving on or after 22 April 2009 (or pension saving has been made for them, such as by an employer) that is not 'protected' from the special annual allowance (see [RPSM15103000](#) and [RPSM15104000](#)), and
- that pension saving which is not 'protected' is greater than their special annual allowance (see [RPSM15102000](#)).

To determine what amount of an individual's pension saving made during each of the 2009-2010 or 2010-2011 tax years is protected from the special annual allowance and what pension saving is not protected from the special annual allowance the individual's 'total pension input amount' must be determined for the respective tax year.

From the total pension input amount the following deductions are made

- protected pension input amounts (see [RPSM15103000](#) and [RPSM15104000](#))
- relevant refunded amounts (see [RPSM15108000](#)), and
- for the 2009-2010 tax year only, pre-22 April 2009 pension input amounts (see [RPSM1510570](#)).

Any remaining amount after these deductions is the individual's 'total adjusted pension input amount' for the tax year (see [RPSM15105000](#)). This total adjusted pension input amount is then tested against the individual's special annual allowance for the tax year. Any amount in excess of the individual's special annual allowance will be subject to the **special annual allowance charge** (see [RPSM15107000](#)).

Glossary ([RPSM20000000](#))

RPSM15103030 - Technical Pages: Special annual allowance: Protected inputs - existing: Overview: Protected inputs

Protected pension input amounts

[paras 8 to 12 Sch 35 FA 09]

One form of protected pension input amount is an amount that represents an individual's 'existing regular pension saving' during 2009-2010 or 2010-2011 that has continued since before 22 April 2009.

For 'existing regular pension saving' that was in place immediately before 22 April 2009 to be a protected pension input amount, it must meet certain conditions. How that pension saving qualifies as a protected pension input amount will depend on the type of **arrangement** and the type of pension scheme under which that arrangement is held. See [RPSM15103100](#), [RPSM15103300](#), [RPSM15103500](#) and [RPSM15103600](#).

Existing regular pension saving that qualifies as a protected pension input amount will not be tested against the special annual allowance. However, such protected pension input amounts will continue to be tested in the usual way as a pension input against the **annual allowance**.

If a pension input amount made during 2009-2010 or 2010-2011 meets the relevant conditions set out in [RPSM15103100](#) to [RSPM15103710](#) [paragraph 3.11 onwards, as they relate to the particular type of pension scheme and types of arrangements under the scheme, it will be a protected pension input amount.

[para 13 Sch 35 FA 09]

Other forms of protected pension input amount are possible despite relating to certain new pension arrangements that were set up on or after 22 April 2009 (for example, and provided certain conditions are met, arrangements commencing as a result of a new employment). See [RPSM15104000](#) for more information.

Glossary ([RPSM20000000](#))

RPSM15103040- Technical Pages: Special annual allowance: Protected inputs - existing: Overview: Protected inputs reduce SAA

How protected input amounts may reduce the special annual allowance

Although the input amount is not tested against the special annual allowance, the total amount of protected pension inputs that an individual has in each of the 2009-2010 or 2010-2011 tax years reduces the available special annual allowance for that individual for the respective tax year.

Example

Mark's special annual allowance would normally be £20,000, as the average of the 'infrequent contributions' that Mark has made to **other money purchase arrangements** in the tax years 2006-2007, 2007-2008 and 2008-2009 does not exceed £20,000.

However, the total of Mark's protected pension input amounts in 2009-2010 is £16,000. For the same tax year, Mark's special annual allowance is reduced to £4,000 (£20,000 - £16,000).

Glossary ([RPSM20000000](#))

RPSM15103050 - Technical Pages: Special annual allowance: Protected inputs - existing: Overview: Anti-avoidance

Anti-avoidance rule for protected input amounts

[para 14 Sch 35 FA 09]

All **arrangements** in respect of an individual will cease to be arrangements which would otherwise have created protected pension input amounts if the individual participates in a scheme the main purpose, or one of their main purposes, of which is to avoid or reduce liability to the **special annual allowance charge**, the **annual allowance charge** or the **lifetime allowance charge**.

Note - the term 'scheme' is used here in the sense of avoidance devices. Such a 'scheme' includes any arrangement, agreement, understanding, transaction or series of transactions (whether or not legally enforceable).

Glossary ([RPSM20000000](#))

RPSM15103100 - Technical Pages: Special annual allowance: Protected inputs - existing: DB arrangements: Contents

Defined benefits arrangements: Contents

RPSM15103110	Conditions for a protected input under a defined benefits arrangement
RPSM15103120	What are material changes?
RPSM15103130	Which changes are unlikely to be material changes?
RPSM15103140	Example of a material change to a scheme
RPSM15103150	Discretionary increases
RPSM15103160	Schemes closed to new service but still linked to salary increases
RPSM15103170	Contributions to purchase 'added years'

RPSM15103110 - Technical Pages: Special annual allowance: Protected inputs - existing: DB arrangements:

Conditions for a protected input under a defined benefits arrangement

[para 8 Sch 35 FA 09]

A pension input to a **defined benefits arrangement** is a protected pension input amount where the following conditions are met:

- the arrangement is under a pension scheme that is
 - an **occupational pension scheme**, or
 - a **public service pension scheme**
- the individual was accruing benefits under the **arrangement** during the period beginning on 22 April 2009 and ending on the 'relevant end date' which is
 - for the purpose of the 2009-2010 tax year, 5 April 2010, and
 - for the purpose of the 2010-2011 tax year, 5 April 2011,
 - or such earlier date of the end of either the 2009-2010 or 2010-2011 tax years that the individual ceased to be an active member in relation to the arrangement, and
- in the period beginning on 22 April 2009 and ending with the 'relevant end date', there has been no material change to the scheme rules under which the benefits are calculated under the arrangement.

If, during the period beginning on 22 April 2009 and ending with the 'relevant end date', there has been a material change to the scheme rules under which benefits are calculated under a defined benefits arrangement, a pension input to that arrangement following that change is a protected pension input amount where the following conditions are met:

- the pension scheme under which the arrangement is held is
 - an occupational pension scheme, or
 - a public service pension scheme;
- the individual was accruing benefits under the arrangement since before 22 April 2009, and either
 - the material change applies to at least 50 active members of the same pension scheme under which the arrangement is held and who are affected in the same way as the individual's arrangement, or
 - despite there being a material change the pension input amount is not attributable to the material change.

Glossary ([RPSM20000000](#))

RPSM15103120 - Technical Pages: Special annual allowance: Protected inputs - existing: DB arrangements:

What are material changes?

Material changes are likely to include

- a change in the method of calculating pensionable salary, for example, changing from averaging the last 3 years of salary to the best in the last 3 years.
- an increase in the accrual rate – for example eightieths to sixtieths, other than as already automatically built-in under the scheme rules because the member reaches a certain position with the employer
- bonuses counting as part of pensionable salary, where they were not previously part of that pensionable salary, and such bonuses are capable of being significant amounts, and
- total actual service being taken into account within the calculation of pensionable service, where the scheme previously had a qualifying period for membership of more than 1 year.

Glossary ([RPSM20000000](#))

RPSM15103130 - Technical Pages: Special annual allowance: Protected inputs - existing: DB arrangements:

Which changes are unlikely to be material changes?

Changes which are unlikely to be material changes include

- an increase of up to 5% per year or the increase in the Retail Prices Index to a small element of scheme pensions in payment which brings the increases to that element of pension in line with the increases already given in relation to the remaining element of the pension, and
- changes to the accrual of benefits that do not have a significant effect on the value of the final pension.

Glossary ([RPSM20000000](#))

RPSM15103140 - Technical Pages: Special annual allowance: Protected inputs - existing: DB arrangements:

Example of a material change to a scheme

Brenda is an employee of a **sponsoring employer** of an **occupational pension scheme**. The employer arranges for the scheme rules to be amended. Previously, the maximum benefits under the scheme have been limited by reference to a cap on the calculation of earnings. But from 6 April 2010 the cap is removed, and consequently Brenda is accruing prospective rights which have been significantly increased. The **pension input amount** is increased as a direct result. This would be regarded as a material change for those affected.

Under the rules on the special annual allowance, the tests to be applied to see whether the increase in rights may be regarded as a protected pension input amount in the case of Brenda's defined benefits arrangement are:

Is the increase in rights attributable to the change?

It is in this instance, so we need to consider further.

Does the change affect at least 50 active members of the scheme on the same basis?

In this instance the scheme is a fairly large one, and there are 150 scheme members whose rights are increased on the same basis as they are all holding prospective rights with an accrual rate of one-sixtieth using both pensionable service and pensionable salary in the same basis as Brenda's. So the removal of the earnings cap in this scheme, despite being a material change, will not lead to an adjusted pension input amount to be tested against the special annual allowance for Brenda's arrangement. Instead, the increase in rights will give rise to a protected pension input amount which will be tested against the annual allowance but not the special annual allowance.

What if the scheme has more than 50 members but fewer than 50 members are actually affected directly by the change?

In this instance although the scheme is a fairly large one the removal of the earnings cap does not really have any impact on the vast majority of the membership as they will never get anywhere near the earning capacity of those members who, like Brenda, had been directly affected by the earnings cap. The removal of the earnings cap in this scheme is material change but it does not affect at least 50 members so it will lead to an adjusted pension input amount to be tested against Brenda's special annual allowance and an input amount to be tested against Brenda's annual allowance as well.

Glossary ([RPSM20000000](#))

RPSM15103150 - Technical Pages: Special annual allowance: Protected inputs - existing: DB arrangements:

Discretionary increases

It is possible that an individual's benefits under a **defined benefits arrangement** could be increased by use of a discretionary power in the pension scheme rules where that power was in place before 22 April 2009. Whether the use of such an existing power would constitute a material change to the scheme rules will depend on the facts and circumstances. However, the following explains when a material change is likely to occur or not.

Where a discretionary power was used in a particular way before 22 April 2009, so that it would have been reasonable for members to assume that it would be exercised in the same way after that date, then it is likely to be accepted that this was a rule of the pension scheme before 22 April 2009. If a member's benefits are being increased on or after 22 April 2009 under a discretionary power being used in the same way it was exercised before that date, there has not been a material change in the rules of the scheme for the purpose and the pension input amount that occurs as a result of the use of the discretionary power in this particular way will be a protected pension input amount.

Alternatively, if the discretion is being used to provide a material change in benefits but not in a way it was used before 22 April 2009, this is likely to be a new rule made on or after that date. Any increase in pension input amount would only be protected if the increase that occurred as a result of the use of the discretionary power in that particular way also meant that the benefits of at least 50 active members of the same pension scheme were increased as a result of the use of the discretionary power in that particular way.

However, the anti-avoidance provision (see [RPSM15103050](#)) which relates to any case where there is a scheme to avoid or reduce liability to the **special annual allowance charge**, **lifetime allowance charge** or **annual allowance charge** should always be borne in mind when considering the tax position of any pension input, as there will be no protected pension input amount where the provision applies. This could include the case where as part of a scheme to avoid or reduce tax liabilities there was a material change to the scheme rules affecting 50 or more active members where the purpose of that rule change was to avoid or reduce these charges.

Glossary ([RPSM20000000](#))

RPSM15103160 - Technical Pages: Special annual allowance: Protected inputs - existing: DB arrangements:

Schemes closed to new service but still linked to salary increases

An individual would still be accruing benefits under a **defined benefits arrangement** where accrual by reference to further service has stopped but the benefits continue to be linked to future salary increases.

Glossary ([RPSM20000000](#))

RPSM15103170 - Technical Pages: Special annual allowance: Protected inputs - existing: DB arrangements:

Contributions to purchase 'added years'

[para 8(2) Sch 35 FA 09]

Contributions that an individual is paying toward a **defined benefits arrangement** for the purpose of purchasing 'added years' of defined benefit under that arrangement are protected pension input amounts where either:

- the contributions are being paid in accordance with an agreement that was made before noon on 22 April 2009, or
- the contributions are being paid in accordance with a written application that was received by, or on behalf of, the **scheme administrator** of the pension scheme before noon on 22 April 2009, and in either event
- on or after 22 April 2009 (or when contributions were first paid, if later), the rate at which contributions are being paid under the arrangement does not increase otherwise than in accordance with an increased rate which was expressly agreed before noon on 22 April 2009 (or in accordance with a written application received by, or on behalf of, the scheme administrator of the pension scheme before that time),
- the payment of contributions under the arrangement have been made on a quarterly or more frequent basis since 22 April 2009, in accordance with the terms of an agreement that were in place before 22 April 2009 (or in accordance with the written application made before that time), and
- on or after 22 April 2009 there has been no failure to pay the contributions on a quarterly or more frequent basis or, where there has been any failure to pay the contributions on a quarterly or more regular basis, the number of such failures is insignificant. In practice, this can be taken to mean that a small number of occasions (no more than two occasions – see [RPSM15103330](#)) of inadvertently missed contributions does not constitute a significant failure.

Contributions meeting these conditions are called 'relevant added years contributions' and 'added years' means the benefits under the arrangement are calculated by reference to a period of service that is in excess of the pensionable service of the individual.

Glossary ([RPSM20000000](#))

RPSM15103300 - Technical Pages: Special annual allowance: Protected inputs - existing: Other money purchase – OPS, public service & GPP: Contents

Other money purchase arrangements – occupational and public service and group personal pension schemes: Contents

RPSM15103310	Conditions for a protected input under an other money purchase arrangement under an occupational, public service or group personal pension scheme
RPSM15103320	Contributions on a quarterly or more frequent basis
RPSM15103330	Failure to pay contributions payable
RPSM15103340	Regular contributions that are linked to salary increases
RPSM15103350	Regular contributions that are linked to fluctuating salary and bonus payments
RPSM15103360	Existing rate of regular contributions increasing
RPSM15103370	Changing the payer of existing regular contributions
RPSM15103380	Existing rate of regular contributions decreasing
RPSM15103390	Annual options for contribution rates
RPSM15103400	Contributions increasing by pre-defined events
RPSM15103410	Additional voluntary contributions

RPSM15103310 - Technical Pages: Special annual allowance: Protected inputs - existing: Other money purchase – OPS, public service & GPP: Conditions

Conditions for a protected input under an other money purchase arrangement under an occupational, public service or group personal pension scheme

[para 10 Sch 35 FA 09]

A pension input to an **other money purchase arrangement** is a protected pension input amount where the following conditions are met:

- the pension scheme under which the arrangement is held is
 - an occupational pension scheme, or
 - a public service pension scheme, or
 - part of a group personal pension scheme;
- the individual has been an active member in relation to the **arrangement** since before 22 April 2009 and ending on the 'relevant end date', which is
 - for the purpose of the 2009-2010 tax year, 5 April 2010,
 - for the purpose of the 2010-2011 tax year, 5 April 2011
 - or such earlier date of the end of either the 2009-2010 or 2010-2011 tax years that the individual ceased to be an active member in relation to the arrangement
- on or after 22 April 2009, the rate at which contributions are being paid under the arrangement does not increase otherwise than in accordance with an increased rate which was expressly agreed before noon on 22 April 2009 (or in accordance with a written application received by, or on behalf of, the **scheme administrator** of the pension scheme before that time);
- the payment of contributions under the arrangement have been made on a quarterly or more regular basis since before 22 April 2009; and
- on or after 22 April 2009 there has been no failure to pay the contributions on a quarterly or more regular basis or, where there has been any failure to pay the contributions on a quarterly or more regular basis, the number of such failures is insignificant. In practice, this can be taken to mean that a small number of occasions (no more than two occasions) of inadvertently missed contributions does not constitute a significant failure.

For this purpose, contributions being paid under the arrangement means contributions paid

- by the individual,
- on behalf of the individual, and
- in respect of the individual by the individual's employer, or
- by any combination of the above.

Glossary ([RPSM20000000](#))

RPSM15103320 - Technical Pages: Special annual allowance: Protected inputs - existing: Other money purchase – OPS, public service & GPP: Quarterly contributions

Contributions on a quarterly or more frequent basis

One of the conditions for existing regular contributions to an **other money purchase arrangement** to be protected pension input amounts is that the contributions have been paid on a quarterly or more frequent basis since before 22 April 2009 (see [RPSM15103310](#)).

Whether or not contributions have been paid on a quarterly or more frequent basis since before 22 April 2009 will be a matter of fact.

For example, an individual who

- is required to pay, for example, monthly contributions as a condition of membership of a particular pension scheme, or
- has set up a direct debit for the payment of a particular amount of contribution each month or each quarter

will be paying contributions on a quarterly or more frequent basis.

However, an individual who has not set out to pay contributions in a pre-determined way is unlikely to be paying contributions on a quarterly or more frequent basis unless contributions have, as a matter of fact, been paid at least quarterly immediately before 22 April 2009. In practice this would mean that an individual is able to demonstrate that four or more payments have been made under a particular other money purchase arrangement and each of those payments have been at least every quarter.

These same principles also apply for additional voluntary contributions that are protected pension input amounts (see [RPSM15103410](#)).

An individual who, immediately before 22 April 2009, was making contributions on a fairly regular basis to an other money purchase arrangement but cannot demonstrate that those contributions were made, as a matter of fact, on a quarterly or more frequent basis will, instead, have made 'infrequent money purchase contributions'. The amount of such contributions could have a bearing on the amount of the individual's special annual allowance (see [RPSM15102060](#)).

Glossary ([RPSM20000000](#))

RPSM15103330 - Technical Pages: Special annual allowance: Protected inputs - existing: Other money purchase – OPS, public service & GPP: Failure to pay

Failure to pay contributions payable

[para 10 (5)(a) Sch 35 FA 09]

One of the conditions for existing regular contributions under an **other money purchase arrangement** to be a protected pension input amount is that the contributions have been paid at least quarterly since before 22 April 2009 and, on or after that date, there should be no failures to pay the contributions payable. However, the contributions will continue to be protected if there are failures to pay but only where the number of occasions of such a failure is insignificant.

One or two occasions where contributions have failed to be paid would be regarded as an insignificant number of occasions.

A decision to stop paying contributions for a period of time would not be a failure to pay contributions otherwise payable. Where contributions that are protected pension input amounts are stopped, even for a short temporary period, those paid up to the time of cessation would be protected but those paid on re-commencement would not be protected.

Also, a decision to reduce the rate of contributions would not be a failure to pay contributions at the previous rate. However, reducing the rate of contributions does not necessarily mean that any current protected pension input amount status would be lost (see [RPSM15103380](#)).

Example

Immediately before 22 April 2009 Mark had an **arrangement** in place that meant contributions of £10,000 would be paid every 31 March, 30 June, 30 September and 31 December.

After paying the 31 March contribution Mark was unable to make arrangements for the payment of the 30 June and 30 September contributions. The next contribution that Mark was able to make was the 31 December contribution which was then followed by the next contribution on 31 March 2010.

Although Mark missed two of the four instalments of contributions that would have been paid for the purposes of the 2009-2010 tax year the number of occasions on which the contributions were not paid is insignificant and did not spell the end of accruing benefits. The contributions made on 31 December 2009 and 31 March 2010 are, therefore, protected pension input amounts.

Mark then pays contributions of £10,000 on all of the following due dates of 30 June 2010, 30 September, 31 December and 31 March 2011. All of these contributions are protected pension input amounts for the purpose of the 2010-2011 tax year.

If Mark had been paying monthly contributions the same principles above would have applied on the basis that the missing of no more than two of the monthly instalments would have meant that there would have been an insignificant number of occasions on which contributions were not paid.

Glossary ([RPSM20000000](#))

RPSM15103340 - Technical Pages: Special annual allowance: Protected inputs - existing: Other money purchase – OPS, public service & GPP: Contribution increase linked to salary

Regular contributions that are linked to salary increases

If the rate of regular contributions is paid as a set percentage of salary, for example monthly contributions are paid at a rate of 10% of salary, and the salary increases, increased monetary amounts paid each month as a result of the existing percentage rate being applied to the increased salary will continue to be a protected pension input amount. This is provided such an increase occurs in accordance with terms that were in place since before 22 April 2009.

Glossary ([RPSM20000000](#))

RPSM15103350 - Technical Pages: Special annual allowance: Protected inputs - existing: Other money purchase – OPS, public service & GPP: Contribution linked to fluctuating pay

Regular contributions that are linked to fluctuating salary and bonus payments

Where a 'spike' occurs in the amount of an individual's regular contributions as a result of a contribution being paid in respect of a bonus payment, that increased amount of contribution will be a protected pension input amount provided the

- regular contributions are being paid at a set rate of salary, for example monthly contributions at 10% of monthly salary
- monthly salary that the set rate is applied against includes the bonus payment when it is paid in a particular month or months, and
- payment is made in accordance with terms that were in place since before 22 April 2009.

The same principles also apply where the monetary amount of regular contributions vary because of the salary upon which they are based varies because of the inclusion of, for example, incentive payments or overtime payments.

Glossary ([RPSM20000000](#))

RPSM15103360 - Technical Pages: Special annual allowance: Protected inputs - existing: Other money purchase – OPS, public service & GPP: Rate increases

Existing rate of regular contributions increasing

If the rate of existing regular contributions are increased on or after 22 April 2009 and the increase is not made in accordance with an agreement made before 22 April 2009 or, in certain cases, before noon on that date or in accordance with a written application made before noon on 22 April 2009 (see [RPSM15103310](#) and [RPSM15103410](#)), only part of the pension input amount relating to the increased rate of contributions will be a protected pension input amount.

The protected pension input amount will be the pension input amount that would have occurred if the rate had not increased.

Example

Andrew has existing regular contributions of £2,000 per month which meet the conditions for a protected pension input amount. The total pension input amount in respect of those contributions would have been £24,000 (12 x £2,000) if the rate had not increased.

However, after 6 months the rate is increased to £3,000 per month. The total pension input amount now is £30,000 ([6 x £2,000] + [6 x £3,000]).

The protected pension input amount in relation to the total pension input amount of £30,000 is £6,000 (being £30,000 - £24,000).

RPSM15103370 - Technical Pages: Special annual allowance: Protected inputs - existing: Other money purchase – OPS, public service & GPP: Changing payer

Changing the payer of existing regular contributions

It is possible that a protected pension input amount to an **other money purchase arrangement** could consist of regular contributions being paid both by an individual and another party, typically the individual's employer. If the amounts of regular contributions made by the respective parties change but the overall amount of contributions being paid does not increase the input amount will still be a protected pension input amount.

Example

Since 22 April 2009 Jessica has continued to pay £2,000 per month into an other money purchase arrangement under a **group personal pension scheme**. Jessica's employer has also continued to pay £2,000 per month to the same **arrangement**, giving total contributions of £4,000 per month.

From September 2009, a salary sacrifice arrangement is introduced resulting in the employer's contributions to Jessica's arrangement increasing to £3,000 per month and Jessica's own contributions reducing to £1,000 per month. Although the employer contributions are increased the overall amount of £4,000 per month has not increased. The entire £4,000 is still a protected pension input amount.

RPSM15103380 - Technical Pages: Special annual allowance: Protected inputs - existing: Other money purchase – OPS, public service & GPP: Rate decreases

Existing rate of regular contributions decreasing

One of the conditions for continuing regular contributions to an **other money purchase arrangement** to be protected pension input amounts is that the rate at which those contributions are paid does not increase on or after 22 April 2009, except in accordance with an agreement made before 22 April 2009 or, in certain cases, before noon on that date or in accordance with a written application made before noon on 22 April 2009 (see [RPSM15103310](#) and [RPSM15103410](#)).

However, the rate could go down on or after 22 April 2009 and it would still remain a protected pension input amount. If the rate increased again it would remain a protected amount if the rate goes up to no more than the previous rate as that would mean there has been no increase in rate on or after 22 April 2009. However, if the rate went above the rate being paid immediately before the decrease not all of the pension input amount relating to that increased rate would be a protected pension input amount unless the increase was made in accordance with a 'pre-22 April 2009 agreement' mentioned above. If there was no such agreement, the difference between the increased rate and the rate that had been paid before the decrease in rate would not be a protected pension input amount.

Example

Contributions are being paid at a rate of £2,000 per month at 22 April 2009 and they continued at that rate until the September 2009 contribution, when the rate went down to £1,000 per month.

In January 2010 the rate goes back up but to £3,000 per month but not in accordance with a 'pre-22 April 2009 agreement'. The contributions continue to be paid at this rate for the rest of the tax year.

All of the contributions up to before the January 2010 contribution would be protected pension input amounts. However, of the £3,000 monthly contributions paid from January 2010 only amounts based on a monthly contribution rate of £2,000 would be the protected pension input amount. The remainder, £1,000 per month, would not be protected.

RPSM15103390 - Technical Pages: Special annual allowance: Protected inputs - existing: Other money purchase – OPS, public service & GPP: Annual options

Annual options for contribution rates

As a condition of membership of the pension scheme, individuals may need to make a choice annually about the rate of contributions that will be paid by or in respect of them. For example, at the last choice date before 22 April 2009 an individual may have opted for monthly contributions at a rate of 5% of salary.

Existing regular contributions that are protected pension input amounts will continue to be protected input amounts if the individual opts for the same rate that was in place under the last option made before 22 April 2009 or any lesser rate.

RPSM15103400 - Technical Pages: Special annual allowance: Protected inputs - existing: Other money purchase – OPS, public service & GPP: Increase due to pre-defined event

Contributions increasing by pre-defined events

The rate of existing regular contributions payable under scheme rules might increase automatically as result of a pre-defined event, such as an individual moving from one age range to another or moving to a different contribution rate on promotion. Where this happens, the increased amount of regular contributions would continue to a protected pension input amount provided the increase occurred in accordance with terms that were in place before 22 April 2009.

Glossary ([RPSM20000000](#))

Additional voluntary contributions

[para 9(2) & 10(2) Sch 35 FA 09]

Additional voluntary contributions that are being paid to a **money purchase arrangement (other money purchase or cash balance)** are protected pension input amounts where:

- the additional voluntary contributions are being paid in respect of an arrangement under a pension scheme that is
 - an occupational pension scheme
 - a public service pension scheme, or
 - in the case of an other money purchase arrangement, a group personal pension scheme,

and where either

- the additional voluntary contributions are being paid in accordance with an agreement that was in place immediately before noon on 22 April 2009 or;
- the additional voluntary contributions are being paid in accordance with a written application that was received by, or on behalf of, the **scheme administrator** of the pension scheme before noon on 22 April 2009,

and in either event

- on or after 22 April 2009 (or when contributions were first paid, if later), the rate at which contributions are being paid under the arrangement does not increase otherwise than in accordance with an increased rate which was expressly agreed before noon on 22 April 2009 (or in accordance with a written application received by, or on behalf of, the scheme administrator of the pension scheme before that time)
- the payment of contributions under the arrangement have been made on a quarterly or more frequent basis, in accordance with terms of an agreement made before noon on 22 April 2009 (or in accordance with the written application made before that time), and
- on or after 22 April 2009 there has been no failure to pay the contributions on a quarterly or more frequent basis or, where there has been any failure to pay the contributions on a quarterly or more regular basis, the number of such failures is insignificant. In practice, this can be taken to mean that a small number of occasions (no more than two occasions) of inadvertently missed contributions does not constitute a significant failure.

Additional voluntary contributions that meet these conditions are called 'relevant additional voluntary contributions'.

RPSM15103500 – Technical Pages: Special annual allowance: Protected inputs - existing: Cash Balance: Contents

Cash balance arrangements: Contents

[RPSM15103510](#) Conditions for a protected input under a cash balance arrangement

[RPSM15103520](#) Additional voluntary contributions

RPSM15103510 - Technical Pages: Special annual allowance: Protected inputs - existing: Cash Balance: Conditions

Conditions for a protected input under a cash balance arrangement

[para 9 Sch 35 FA 09]

A pension input to a **cash balance arrangement** is a protected pension input amount where the following conditions are met:

- the pension scheme under which the arrangement is held is
 - an **occupational pension scheme**, or
 - a **public service pension scheme**
- the individual has been accruing benefits under the arrangement since before 22 April 2009 and ending on the 'relevant end date', which is
 - for the purpose of the 2009-2010 tax year, 5 April 2010,
 - for the purpose of the 2010-2011 tax year, 5 April 2011
 - or such earlier date of the end of either the 2009-2010 or 2010-2011 tax years that the individual ceased to be an active member in relation to the arrangement, and
- in the period beginning on 22 April 2009 and ending with the 'relevant end date', there has been no material change to the scheme rules under which the benefits are calculated under the **arrangement**.

If, during the period beginning on 22 April 2009 and ending with the 'relevant end date', there has been a material change (see [RPSM15103120](#) for more information) to the scheme rules under which benefits are calculated under a cash balance arrangement an input to that arrangement following that change is a protected pension input amount where the following conditions are met:

- the pension scheme under which the arrangement is held is
 - an occupational pension scheme, or
 - a public service pension scheme;
- the individual was accruing benefits under the arrangement since before 22 April 2009, and

either

- the material change applies to at least 50 active members of the same pension scheme under which the arrangement is held and who are affected in the same way as the individual's arrangement, or
- despite there being a material change the pension input amount is not attributable to the material change.

Glossary ([RPSM20000000](#))

Additional voluntary contributions

[para 9(2) & 10(2) Sch 35 FA 09]

Additional voluntary contributions that are being paid to a **money purchase arrangement (other money purchase or cash balance)** are protected pension input amounts where:

- the additional voluntary contributions are being paid in respect of an arrangement under a pension scheme that is
 - an occupational pension scheme
 - a public service pension scheme, or
 - in the case of an other money purchase arrangement, a group personal pension scheme,

and where either

- the additional voluntary contributions are being paid in accordance with an agreement that was in place immediately before noon on 22 April 2009 or;
- the additional voluntary contributions are being paid in accordance with a written application that was received by, or on behalf of, the **scheme administrator** of the pension scheme before noon on 22 April 2009,

and in either event

- on or after 22 April 2009 (or when contributions were first paid, if later), the rate at which contributions are being paid under the arrangement does not increase otherwise than in accordance with an increased rate which was expressly agreed before noon on 22 April 2009 (or in accordance with a written application received by, or on behalf of, the scheme administrator of the pension scheme before that time)
- the payment of contributions under the arrangement have been made on a quarterly or more frequent basis, in accordance with terms of an agreement made before noon on 22 April 2009 (or in accordance with the written application made before that time), and
- on or after 22 April 2009 there has been no failure to pay the contributions on a quarterly or more frequent basis or, where there has been any failure to pay the contributions on a quarterly or more regular basis, the number of such failures is insignificant. In practice, this can be taken to mean that a small number of occasions (no more than two occasions) of inadvertently missed contributions does not constitute a significant failure.

Additional voluntary contributions that meet these conditions are called 'relevant additional voluntary contributions'.

RPSM15103600 - Technical Pages: Special annual allowance: Protected inputs - existing: Other money purchase – not OPS, public service & GPP: Contents

Other money purchase arrangements – schemes that are not occupational and public service or group personal pension schemes: Contents

RPSM15103610	Conditions for a protected input under an other money purchase arrangement that is not under an occupational, public service or group personal pension scheme
RPSM15103620	Contributions on a quarterly or more frequent basis
RPSM15103630	Regular contributions that are linked to salary increases
RPSM15103640	Regular contributions that are linked to fluctuating salary and bonus payments
RPSM15103650	Existing rate of regular contributions increasing
RPSM15103660	Changing the payer of existing regular contributions
RPSM15103670	Existing rate of regular contributions decreasing
RPSM15103680	Annual options for contribution rates
RPSM15103690	Contributions increasing by pre-defined events
RPSM15103700	Failure to pay contributions payable
RPSM15103710	Membership applications made to join a pension scheme other than an occupational, public service or group personal pension scheme

RPSM15103610 - Technical Pages: Special annual allowance: Protected inputs - existing: Other money purchase – not OPS, public service & GPP:

Conditions for a protected input under an other money purchase arrangement that is not under an occupational, public service or group personal pension scheme

[para 11 Sch 35 FA 09]

A pension input to an **other money purchase arrangement** under a pension scheme that is not

- an **occupational pension scheme**,
- a **public service pension scheme**, or
- part of a **group personal pension scheme**,

is a protected pension input amount where the following conditions are met:

- the individual has been an active member in relation to the arrangement since before 22 April 2009 and ending on the 'relevant end date', which is
 - for the purpose of the 2009-2010 tax year, 5 April 2010,
 - for the purpose of the 2010-2011 tax year, 5 April 2011
 - or such earlier date of the end of either the 2009-2010 or 2010-2011 tax years that the individual ceased to be an active member in relation to the arrangement
- on or after 22 April 2009, the rate at which contributions are being paid under the arrangement does not increase otherwise than in accordance with an agreement made before 22 April 2009
- the payment of contributions under the arrangement have been made on a quarterly or more regular basis since before 22 April 2009, and
- on or after 22 April 2009 there has been no failure to pay the contributions on a quarterly or more frequent basis, or where there has been any failure to pay the contributions on a quarterly or more regular basis, the number of such failures is insignificant. In practice, this can be taken to mean that a small number of occasions (more than two occasions) of inadvertently missed contributions that do not signify the end of accruing benefits will be accepted as not being a failure for this purpose.

For this purpose, contributions being paid under the arrangement means contributions paid

- by the individual
- on behalf of the individual, and
- in respect of the individual by the individual's employer, or
- by any combination of the above.

Glossary ([RPSM20000000](#))

RPSM15103620 - Technical Pages: Special annual allowance: Protected inputs - existing: Other money purchase – not OPS, public service & GPP:

Contributions on a quarterly or more frequent basis

One of the conditions for existing regular contributions to an **other money purchase arrangement** to be protected pension input amounts is that the contributions have been paid on a quarterly or more frequent basis since before 22 April 2009 (see [RPSM15103610](#) and [RPSM15103710](#)).

Whether or not contributions have been paid on a quarterly or more frequent basis since before 22 April 2009 will be a matter of fact.

For example, an individual who

- is required to pay, for example, monthly contributions as a condition of membership of a particular pension scheme, or
- has set up a direct debit for the payment of a particular amount of contribution each month or each quarter

will be paying contributions on a quarterly or more frequent basis.

However, an individual who has not set out to pay contributions in a pre-determined way is unlikely to be paying contributions on a quarterly or more frequent basis unless contributions have, as a matter of fact, been paid at least quarterly immediately before 22 April 2009. In practice this would mean that an individual is able to demonstrate that four or more payments have been made under a particular other money purchase arrangement and each of those payments have been at least every quarter.

An individual who, immediately before 22 April 2009, was making contributions on a fairly regular basis to an other money purchase arrangement but cannot demonstrate that those contributions were made, as a matter of fact, on a quarterly or more frequent basis will, instead, have made 'infrequent money purchase contributions'. The amount of such contributions could have a bearing on the amount of the individual's special annual allowance (see [RPSM15102060](#)).

Glossary ([RPSM20000000](#))

RPSM15103630 - Technical Pages: Special annual allowance: Protected inputs - existing: Other money purchase – not OPS, public service & GPP:

Regular contributions that are linked to salary increases

If the rate of regular contributions is paid as a set percentage of salary, for example monthly contributions are paid at a rate of 10% of salary, and the salary increases, increased monetary amounts paid each month as a result of the existing percentage rate being applied to the increased salary will continue to be a protected pension input amount. This is provided such an increase occurs in accordance with terms that were in place since before 22 April 2009.

Glossary ([RPSM20000000](#))

RPSM15103640 - Technical Pages: Special annual allowance: Protected inputs - existing: Other money purchase – not OPS, public service & GPP:

Regular contributions that are linked to fluctuating salary and bonus payments

Where a 'spike' occurs in the amount of an individual's regular contributions as a result of a contribution being paid in respect of a bonus payment, that increased amount of contribution will be a protected pension input amount provided the

- regular contributions are being paid at a set rate of salary, for example monthly contributions at 10% of monthly salary
- monthly salary that the set rate is applied against includes the bonus payment when it is paid in a particular month or months, and
- payment is made in accordance with terms that were in place since before 22 April 2009.

The same principles also apply where the monetary amount of regular contributions vary because of the salary upon which they are based varies because of the inclusion of, for example, incentive payments or overtime payments.

Glossary ([RPSM20000000](#))

RPSM15103650 - Technical Pages: Special annual allowance: Protected inputs - existing: Other money purchase – not OPS, public service & GPP:

Existing rate of regular contributions increasing

If the rate of existing regular contributions are increased on or after 22 April 2009 and the increase is not made in accordance with an agreement made before 22 April 2009 or in accordance with a written application made before noon on 22 April 2009 (see [RPSM15103610](#) and [RPSM15103710](#)), only part of the pension input amount relating to the increased rate of contributions will be a protected pension input amount.

The protected pension input amount will be the pension input amount that would have occurred if the rate had not increased.

Example

Andrew has existing regular contributions of £2,000 per month which meet the conditions for a protected pension input amount. The total pension input amount in respect of those contributions would have been £24,000 (12 x £2,000) if the rate had not increased.

However, after 6 months the rate is increased to £3,000 per month. The total pension input amount now is £30,000 ([6 x £2,000] + [6 x £3,000]).

The protected pension input amount in relation to the total pension input amount of £30,000 is £6,000 (being £30,000 - £24,000).

Glossary ([RPSM20000000](#))

Changing the payer of existing regular contributions

It is possible that a protected pension input amount to an **other money purchase arrangement** could consist of regular contributions being paid both by an individual and another party, typically the individual's employer. If the amounts of regular contributions made by the respective parties change but the overall amount of contributions being paid does not increase the input amount will still be a protected pension input amount.

Example

Since 22 April 2009 Dorothy has continued to pay £2,000 per month into an other money purchase arrangement under a **personal pension scheme**. Dorothy's employer has also continued to pay £2,000 per month to the same arrangement, giving total contributions of £4,000 per month.

From September 2009, a salary sacrifice arrangement is introduced resulting in the employer's contributions to Dorothy's arrangement increasing to £3,000 per month and Dorothy's own contributions reducing to £1,000 per month. Although the employer contributions are increased the overall amount of £4,000 per month has not increased. The entire £4,000 is still a protected pension input amount.

RPSM15103670 - Technical Pages: Special annual allowance: Protected inputs - existing: Other money purchase – not OPS, public service & GPP:

Existing rate of regular contributions decreasing

One of the conditions for continuing regular contributions to an **other money purchase arrangement** to be protected pension input amounts is that the rate at which those contributions are paid does not increase on or after 22 April 2009, except in accordance with an agreement made before 22 April 2009 or in accordance with a written application made before noon on 22 April 2009 (see [RPSM15103610](#) and [RPSM15103710](#)).

However, the rate could go down on or after 22 April 2009 and it would still remain a protected pension input amount. If the rate increased again it would remain a protected amount if the rate goes up to no more than the previous rate as that would mean there has been no increase in rate on or after 22 April 2009. However, if the rate went above the rate being paid immediately before the decrease not all of the pension input amount relating to that increased rate would be a protected pension input amount unless the increase was made in accordance with a 'pre-22 April 2009 agreement' mentioned above. If there was no such agreement, the difference between the increased rate and the rate that had been paid before the decrease in rate would not be a protected pension input amount.

Example

Contributions are being paid at a rate of £2,000 per month at 22 April 2009 and they continued at that rate until the September 2009 contribution, when the rate went down to £1,000 per month.

In January 2010 the rate goes back up but to £3,000 per month but not in accordance with a 'pre-22 April 2009 agreement'. The contributions continue to be paid at this rate for the rest of the tax year.

All of the contributions up to before the January 2010 contribution would be protected pension input amounts. However, of the £3,000 monthly contributions paid from January 2010 only amounts based on a monthly contribution rate of £2,000 would be the protected pension input amount. The remainder, £1,000 per month, would not be protected.

RPSM15103680 - Technical Pages: Special annual allowance: Protected inputs - existing: Other money purchase – not OPS, public service & GPP:

Annual options for contribution rates

As a condition of membership of the pension scheme, individuals may need to make a choice annually about the rate of contributions that will be paid by or in respect of them. For example, at the last choice date before 22 April 2009 an individual may have opted for monthly contributions at a rate of 5% of salary.

Existing regular contributions that are protected pension input amounts will continue to be protected input amounts if the individual opts for the same rate that was in place under the last option made before 22 April 2009 or any lesser rate.

RPSM15103690 - Technical Pages: Special annual allowance: Protected inputs - existing: Other money purchase – not OPS, public service & GPP:

Contributions increasing by pre-defined events

The rate of existing regular contributions payable under scheme rules might increase automatically as result of a pre-defined event, such as an individual moving from one age range to another or moving to a different contribution rate on promotion. Where this happens, the increased amount of regular contributions would continue to a protected pension input amount provided the increase occurred in accordance with terms that were in place before 22 April 2009.

Glossary ([RPSM20000000](#))

RPSM15103700 - Technical Pages: Special annual allowance: Protected inputs - existing: Other money purchase – not OPS, public service & GPP: Failure to pay

Failure to pay contributions payable

[para 11(2) Sch 35 FA09]

One of the conditions for existing regular contributions under an **other money purchase arrangement** to be a protected pension input amount is that the contributions have been paid at least quarterly since before 22 April 2009 and, on or after that date, there should be no failures to pay the contributions payable. However, the contributions will continue to be protected if there are failures to pay but only where the number of occasions of such a failure is insignificant.

One or two occasions where contributions have failed to be paid would be regarded as an insignificant number of occasions.

A decision to stop paying contributions for a period of time would not be a failure to pay contributions otherwise payable. Where contributions that are protected pension input amounts are stopped, even for a short temporary period, those paid up to the time of cessation would be protected but those paid on re-commencement would not be protected.

Also, a decision to reduce the rate of contributions would not be a failure to pay contributions at the previous rate. However, reducing the rate of contributions does not necessarily mean that any current protected pension input amount status would be lost (see [RPSM15103670](#)).

Example

Immediately before 22 April 2009 Mark had an **arrangement** in place that meant contributions of £10,000 would be paid every 31 March, 30 June, 30 September and 31 December.

After paying the 31 March contribution Mark was unable to make arrangements for the payment of the 30 June and 30 September contributions. The next contribution that Mark was able to make was the 31 December contribution which was then followed by the next contribution on 31 March 2010.

Although Mark missed two of the four instalments of contributions that would have been paid for the purposes of the 2009-2010 tax year the number of occasions on which the contributions were not paid is insignificant and did not spell the end of accruing benefits. The contributions made on 31 December 2009 and 31 March 2010 are, therefore, protected pension input amounts.

Mark then pays contributions of £10,000 on all of the following due dates of 30 June 2010, 30 September, 31 December and 31 March 2011. All of these contributions are protected pension input amounts for the purpose of the 2010-2011 tax year.

If Mark had been paying monthly contributions the same principles above would have applied on the basis that the missing of no more than two of the monthly instalments would have meant that there would have been an insignificant number of occasions on which contributions were not paid.

Glossary ([RPSM20000000](#))

RPSM1510710 - Technical Pages: Special annual allowance: Protected inputs - existing: Other money purchase – not OPS, public service & GPP: Membership applications

Membership applications made to join a pension scheme other than an occupational, public service or group personal pension scheme

[para 11(3) Sch 35 FA09]

If an individual is an **active member** by reference to an **other money purchase arrangement** that is under a pension scheme that is not

- an **occupational pension scheme**,
- a **public service pension scheme**, or
- part of a **group personal pension scheme**,

but

- the individual was not such an active member immediately before 22 April 2009,

but

- a written application to become an active member was received by, or behalf of, the **scheme administrator** of the pension scheme under which the **arrangement** is held before noon on 22 April 2009,

a pension input into that arrangement will be a protected pension input if the following conditions are met:

- the individual was an active member of the pension scheme in relation to the arrangement throughout the period that begins on the date on which the individual became an active member of the arrangement, and
 - for the purpose of the 2009-2010 tax year, ends on 5 April 2010,
 - for the purpose of the 2010-2011 tax year, ends on 5 April 2011,
 - or ends on such earlier date that the individual ceased to be an active member in relation to the arrangement,
- on or after the date on which the individual became an active member of the arrangement, the rate at which contributions are being paid under the arrangement does not increase otherwise than in accordance with the terms of an agreement made before the individual became an active member in relation to the arrangement in accordance with the application made before noon on 22 April 2009;
- the payment of contributions under the arrangement have been made on a quarterly or more frequent basis, in accordance with scheme provisions that were in place as part of the written application made before 22 April 2009 and received no later than noon on 22 April 2009, and
- there has been no failure to pay the contributions on a quarterly or more frequent basis, or where there has been any failure to pay the contributions on a quarterly or more frequent basis, the number of such failures is insignificant. In practice, this can be taken to mean that a small number of occasions (no more than two occasions) of inadvertently missed contributions that do not signify the end of accruing benefits will be accepted as not being a failure for this purpose.

For this purpose, contributions being paid under the arrangement means contributions paid

- by the individual
- on behalf of the individual, and

- in respect of the individual by the individual's employer, or
- by any combination of the above.

Glossary ([RPSM20000000](#))

RPSM15104000 - Technical Pages: Special annual allowance: Protected inputs - new: Contents

Protected pension input amounts: new arrangements set up or reactivated on or after 22 April 2009: Contents

- [RPSM15104010](#) Overview
 - [RSPM15104020](#) How are pension savings calculated?
 - [RPSM15104030](#) Protected pension input amounts
 - [RPSM15104040](#) Different forms of protected pension input amount
 - [RPSM15104050](#) Different forms of protected pension input amount - arrangements relating to an employment
 - [RPSM15104060](#) Benefits accruing on the same basis for 20 members with other money purchase arrangements
 - [RPSM15104070](#) Benefits accruing on the same basis for 20 members with other money purchase arrangements – testing pension inputs against SAA and AA
 - [RPSM15104080](#) Benefits accruing on the same basis for 20 members with other money purchase arrangements – reducing the SAA
 - [RPSM15104090](#) Anti –avoidance rules for pension input amounts
-

RPSM15104010 - Technical Pages: Special annual allowance: Protected inputs - new: Overview

Overview

[para 13 Sch 35 FA09]

The special **annual allowance** applies in respect of new pension savings that are put into **registered pension schemes** during the 2009-2010 or 2010-2011 tax years; where that new pension saving is made by, on behalf of or in respect of an individual with relevant income of £150,000 or more (see [RPSM15101000](#)).

In this context, 'new pensions savings' means pension input amounts in respect of **arrangements** that are

- made on or after 22 April 2009,
- 're-activated' on or after 22 April 2009,
- or both.

An arrangement is 're-activated' where a member ceased to be an active member in relation to the arrangement and again became an active member in relation to the arrangement on or after 22 April 2009. This includes, in relation to an arrangement, a member who

- ceased to be an active member before 22 April 2009,
- ceased to be an active member on or after that date, or,
- ceased to be an active member before 22 April 2009 and who then became an active member on or after that date and who then ceased to be an active member and then became an active member again and so on.

Glossary ([RPSM20000000](#))

RPSM15104020 - Technical Pages: Special annual allowance: Protected inputs - new: How are pensions savings calculated?

How are pension savings calculated?

To determine what amount of new pension saving is made during the 2009-2010 or 2010-2011 tax years the individual's total **pension input amounts** must be determined for the respective tax year.

An amount representing protected pension input amounts can be deducted from that total pension input amount figure to arrive at the total adjusted pension input amount. The total adjusted pension input amount is then tested against the individual's available special annual allowance.

Glossary ([RPSM20000000](#))

RPSM15104030 - Technical Pages: Special annual allowance: Protected inputs - new: Protected pension input amounts

Protected pension input amounts

[paras 8 to 12 Sch 35 FA09]

One form of protected pension input amount is an amount that represents an individual's 'existing regular pension saving' during 2009-2010 or 2010-2011 that has continued since before 22 April 2009 that relates to pension arrangements that an individual had in place immediately before 22 April 2009. So this will apply to existing arrangements of the individual.

[para 13 Sch 35 FA09]

The other form of protected pension input amount is that which relates to new pension saving arrangements that were set up on or after 22 April 2009 or where arrangements are re-activated on or after 22 April 2009. It is possible for such arrangements to produce protected pension input amounts provided certain conditions are met.

The conditions that must be met for input amounts to be protected pension input amounts are at [RPSM15104040](#).

Glossary ([RPSM20000000](#))

RPSM15104040 - Technical Pages: Special annual allowance: Protected inputs - new: Different forms of protected input amount

Different forms of protected pension input amount

[para 13 Sch 35 FA09]

Pension inputs made under an **arrangement**

- newly set up on or after 22 April 2009, or
- re-activated on or after 22 April 2009

will be protected pension input amounts where the following conditions are met:

- the arrangement is under a pension scheme that is
 - an **occupational pension scheme**,
 - a **public service pension scheme**, or
 - forms part of a **group personal pension scheme**;
- the arrangement, except in relation to membership of a public service pension scheme, relates to an employment of the individual;
- the contributions under the arrangement are not additional voluntary contributions or contributions for the purpose of purchasing added years;
- there are at least 20 arrangements under the same scheme and the benefits under all of those arrangements accrue on the same basis as that for the new, or re-activated, arrangement of the individual for the 'relevant period';
- where the arrangement is under an occupational pension scheme or forms part of a group personal pension scheme, those 20 or more members are employees of the employer who is the employer in relation to the arrangement of the individual, and
- there is no material change to the pension scheme rules under which benefits are calculated under the arrangement in the 'relevant period', or, if there is a material change in the 'relevant period' the material changes applies to at least 50 active members of the pension scheme.

The 'relevant period' is the period beginning with the date on which the arrangement is made, or re-activated, on or after 22 April 2009 and ending on

- for the purpose of the 2009-2010 tax year, 5 April 2010, or
- for the purpose of the 2010-2011 tax year, 5 April 2011,
- or such earlier date before the end of either the 2009-2010 or 2010-2011 tax years that the individual ceased to be an active member in relation to the arrangement.

Glossary ([RPSM20000000](#))

RPSM15104050 - Technical Pages: Special annual allowance: Protected inputs - new: Arrangements relating to an employment

Different forms of protected pension input amount – arrangements relating to an employment

[para 13(6) Sch 35 FA09]

For purposes of [RPSM15104040](#) an arrangement relates to an employment where

- the earnings by reference to which benefits under the **arrangement** are calculated are earnings from the employment, or
- the employer in relation to the arrangement pays contributions under the arrangement in respect of the individual.

If, for example, a new scheme is being set up so that 20 or more members join at the same time the pension input amounts will be protected pension input amounts for each member provided the conditions above and in [RPSM15104040](#) are met in respect of each respective arrangement.

It will also be acceptable for the individual to have an arrangement which otherwise meets these conditions where the individual was an employee of the employer, ceased to be an active member in relation to the arrangement but later re-activates the arrangement by becoming an active member again in relation to the arrangement. Although the member's arrangement may not be one set up on or after 22 April 2009, it may still qualify as a consequence of being re-activated on or after 22 April 2009.

Glossary ([RPSM20000000](#))

RPSM15104060 - Technical Pages: Special annual allowance: Protected inputs - new: Benefits accruing on the same basis for 20 members - other money purchase

Benefits accruing on the same basis for 20 members with other money purchase arrangements

Whether there will be at least 20 members who are accruing benefits on the same basis (see [RPSM15104040](#)) will depend on how the contribution rates are set.

If, for example, the contribution options are very wide such that members can decide any level of personal contribution with, perhaps, employer matching contributions up to a certain amount then it would seem that there could be wide variations in the amount of contributions being paid by each member. There would have to be at least 20 members who have decided on the same option; it would not be enough for there to be at least 20 members with the same potential options.

Alternatively, if, for example, every member had to pay a set amount of contributions as a condition of membership but the amount of those contributions together with employer matching contributions in relation to those member contributions depended on the age of the member, there would be 20 members accruing benefits on the same basis if there were at least 20 members in the scheme overall even though there might not necessarily be 20 members in any one particular age range.

RPSM15104070 - Technical Pages: Special annual allowance: Protected inputs - new: Benefits accruing on the same basis for 20 members, other money purchase – testing pension inputs against SAA and AA

Benefits accruing on the same basis for 20 members with other money purchase arrangements – testing pension inputs against SAA and AA

Amounts of pension saving under

- new **arrangements** set up on or after 22 April 2009, or
- arrangements that are re-activated on or after 22 April 2009, and
- that qualify as a protected pension input amounts

will not be tested against the special annual allowance.

However, such protected pension input amounts continue to be tested in the usual way as a pension input against the **annual allowance**.

Glossary ([RPSM20000000](#))

RPSM15104080 - Technical Pages: Special annual allowance: Protected inputs - new: Benefits accruing on the same basis for 20 members, other money purchase – reducing the SAA

Benefits accruing on the same basis for 20 members with other money purchase arrangements – reducing the SAA

Although the input amount is not tested against the special annual allowance, the total amount of protected pension inputs that an individual has in the 2009-2010 or 2010-2011 tax years reduces the special annual allowance for that individual for the respective tax year.

Example

Mark's special annual allowance would normally be £20,000, as the average of the 'infrequent contributions' that Mark has made to **other money purchase arrangements** in the tax years 2006-2007, 2007-2008 and 2008-2009 does not exceed £20,000.

Mark's total protected pension input amount in 2009-2010 is £16,000. For the same tax year, Mark's special annual allowance is reduced to £4,000 (being £20,000 - £16,000).

See also [RPSM15104560](#) which sets out circumstances in which contributions to new and re-activated **arrangements** do not count as protected pension input amounts.

Glossary ([RPSM20000000](#))

RPSM15104090 - Technical Pages: Special annual allowance: Protected inputs - new: Anti-avoidance

Anti-avoidance rules for pension input amounts

[para 6 & para 14 Sch 35 FA09]

The legislation includes a number of anti-avoidance rules relating to **pension input amounts**. One applies where arrangements are in place that result in the measurement of the pension input amount being for a lower amount than would otherwise apply. Another more general rule removes protection from pension input amounts if the individual is party to a scheme or arrangement designed to reduce liability to the new special annual allowance charge, or to the annual allowance charge or lifetime allowance charges.

Note - the terms 'scheme' or 'arrangements' are used here in the sense of avoidance devices rather than pension schemes or pension **arrangements**. Such a 'scheme' or 'arrangement' includes any agreement, understanding, transaction or series of transactions (whether or not legally enforceable).

Glossary ([RPSM20000000](#))

RPSM15104500 – Technical Pages: Special annual allowance: Anti-avoidance rules: Contents

Anti-avoidance rules: Contents

RPSM15104510	Overview
RPSM15104520	Manipulating the value of the pension input amount
RPSM15104530	Calculating the pension input amount
RPSM15104540	Adjustment of the closing value
RPSM15104550	Arrangement ceases during tax year
RPSM15104560	Re-activated and new schemes
RPSM15104570	General anti-avoidance rule for protected input amounts
RPSM15104580	Employer-financed retirement benefits schemes

RPSM15104510 - Technical Pages: Special annual allowance: Anti-avoidance rules: Overview

Anti-avoidance rules: Overview

[para 6 & 14 Sch 35 FA 09]

The legislation for the special annual allowance includes a number of anti-avoidance rules relating to **pension input amounts**. One applies where arrangements are in place that result in the measurement of the pension input amount being for a lower amount than might otherwise apply. Another more general rule removes protection from pension input amounts if the individual is party to a scheme or arrangement designed to avoid or reduce liability to the special annual allowance charge, **annual allowance charge** or the **lifetime allowance charge**.

Glossary ([RPSM20000000](#))

RPSM15104520 - Technical Pages: Special annual allowance: Anti-avoidance rules: Manipulating the value of the pension input amount

Manipulating the value of the pension input amount

[para 6 Sch 35 FA 09]

The legislation includes an anti-avoidance rule whereby the measurement of the 'total pension input amount' for the purpose of establishing the 'total adjusted pension input amount' for an individual can substitute a higher pension input amount than would otherwise apply. This rule will apply whether the structure of the arrangement concerned is to avoid or reduce liability to the **special annual allowance charge**, the **annual allowance charge**, or the lifetime allowance charge.

When calculating the **pension input amount** for a **defined benefits arrangement**, for example, the amount to be determined is taken from the prospective entitlement to the scheme pension as at the commencement of the scheme pension. The **annual allowance** test is not concerned with the amounts of pension increases to be applied at a future date to a scheme pension in payment.

Therefore, it is possible that arrangements might be structured in such a way so that the value of the increase in the benefit rights under the arrangement that are taken into account for the purpose of calculating the pension input amount is less than it might otherwise have been if the value of a future increase to those benefit rights was also included as part of those benefit rights.

Glossary ([RPSM20000000](#))

RPSM15104530 - Technical Pages: Special annual allowance: Anti-avoidance rules: Calculating the pension input amount

Calculating the pension input amount

If a **pension input amount** under an arrangement is designed to be artificially low, the pension input amount must be calculated as the greater of

- the amount ordinarily calculated for the purpose of the current **annual allowance**, and which can otherwise also apply in relation to the special annual allowance and
- the amount found by taking the following opening value away from the following closing value
- the opening value is
 - the amount that might be expected to be received by the individual if that individual member, or a dependant of the member, assigned the rights under the arrangement as they were at the start of the tax year concerned, and
- the closing value is
 - the amount that might be expected to be received by the individual member, or a dependant of the member if that individual or dependent assigned the rights under the arrangement as they were at the end of the tax year concerned.

For the purpose of this calculation, it is to be assumed that the rights are freely assignable.

RPSM15104540 - Technical Pages: Special annual allowance: Anti-avoidance rules: Adjustment of the closing value

Adjustment of the closing value

The rights under the arrangement for the purpose of the closing value must be adjusted, if necessary, in accordance with the same adjustments that would normally apply if considering the current **annual allowance** provisions. These are adjustments to

- add to the closing value
 - any pension debit arising from a pension share on divorce or annulment during the tax year.
 - any amount of rights represented within a transfer of rights from the arrangement
 - any amount crystallised from a benefit crystallisation event in relation to the arrangement
 - subtract from the closing value
 - any pension credit acquired by the individual from a pension share on divorce or annulment
 - any rights representing a transfer of rights received by the arrangement
 - any minimum payments made relating to contracting-out rights
-

RPSM15104550 - Technical Pages: Special annual allowance: Anti-avoidance rules: Arrangement ceases during tax year

Arrangement ceases during tax year

If an **arrangement** ceased to exist during a particular tax year the 'closing value' is taken to be the value immediately before the time at which the arrangement ceased to exist.

More details about these additions or subtractions can be found in [RPSM06103050](#) and [RPSM06103060](#).

Glossary ([RPSM20000000](#))

RPSM15104560 - Technical Pages: Special annual allowance: Anti-avoidance rules: Re-activated and new schemes

Re-activated and new schemes

[para 13(2)(a) Sch 35 FA 09]

The rule that allows pension input amounts in respect of **arrangements** that are newly set up, or re-activated, on or after 22 April 2009 to be protected pension input amounts (see [RPSM15104000](#)) is set aside in some circumstances. This set aside applies only to **occupational pension schemes** or **group personal pension schemes** which relate to the employment of the individual where the provision of benefits is not part of the normal pattern of pension provision made by the employer in respect of its employees.

Indicators of normality are:

- It is one of a number of similar arrangements relating to employees of a specific employer or group of employers.
- Contributions are made to the arrangement on a regular basis (e.g. weekly or monthly) by the person's employer.
- There are 20 or more arrangements relating to active members who are employees of that employer or group of employers and the rules governing contributions are the same.
- It is set up in relation to a new employment for the individual who is accruing benefits.
- It is part of a scheme open to all employees of that employer on the same terms.
- The rules governing accrual of benefits that govern that arrangement are not restricted to a particular class of employees.
- If the rules are restricted to a particular class there have been no material alteration to those rules since 22 April 2009.
- The scheme is set up as part of a commercial reorganisation of the employer's pension schemes.

Glossary ([RPSM20000000](#))

RPSM15104570 - Technical Pages: Special annual allowance: Anti-avoidance rules: General anti-avoidance rule

General anti-avoidance rule for protected input amounts

An **arrangement** will cease to be an arrangement which creates protected pension input amounts if there are, in relation to that arrangement, a scheme or arrangement (or schemes or arrangements) which have as their main purpose or one of their main purposes to avoid or reduce liability to the **special annual allowance charge**, the current **annual allowance charge** or the **lifetime allowance charge**.

Note - the terms 'scheme' or 'arrangements' are used here in the sense of avoidance devices rather than pension schemes or pension arrangements. Such a 'scheme' or 'arrangement' includes any agreement, understanding, transaction or series of transactions (whether or not legally enforceable).

RPSM15104580 - Technical Pages: Special annual allowance: Anti-avoidance rules: Employer-financed retirement benefits schemes

Employer-financed retirement benefits schemes

Contributions paid to, or benefit rights accruing under, an **employer-financed retirement benefits scheme** are not included as part of an individual's total pension input amount for a particular tax year. Therefore **pension input amounts** to such pension schemes are not tested against the individual's special annual allowance.

An employer-financed retirement benefits scheme might be used in conjunction with a **registered pension scheme**. For example, the employer-financed retirement benefits scheme may be established in order to provide 'top up' benefits for an individual whose benefits under a registered pension scheme have reached the individual's **lifetime allowance**. Another example might be that contributions stop being made into registered pension schemes in respect of an individual because the value of an individual's rights under **other money purchase arrangements** are close to the individual's lifetime allowance and are expected to reach or exceed the allowance on future investment growth alone and are, instead, paid to an employer-financed retirement benefits scheme.

To assist with their effectiveness, the anti-avoidance provisions are cast very wide. Whether they will apply in particular case involving one or more employer-financed retirement benefits schemes will depend on the facts and circumstances of the case.

However, the anti-avoidance provisions are unlikely to apply in cases where contributions stop being paid to a registered pension scheme, or benefits stop accruing under such a scheme, and contributions or benefits accrue under an employer-financed retirement benefits scheme instead and the employer-financed scheme is to be used for no purpose other than the provision of benefits derived from the contributions or the provision of the accrued benefits.

Alternatively, the anti-avoidance provisions could apply if the employer-financed retirement benefits scheme has been set up other than solely for the provision of benefits. For example, contributions are paid to, or benefits accrue under, the employer-financed scheme as an alternative to a registered pension scheme but with the intention of transferring the rights from the employer-financed scheme to the registered pension scheme at an opportunity when, for example, an **annual allowance charge** will not apply but that charge might otherwise have applied had the contributions been paid directly to, or the rights accrued under, the registered pension scheme.

RPSM15105000 - Technical Pages: Special annual allowance: Total adjusted pension input amounts: Contents

Total adjusted pension input amounts: Contents

RPSM15105010	Basic principles
RPSM15105020	Calculating total adjusted pension input amounts
RPSM15105030	Example of calculating total adjusted pension input amounts
RPSM15105040	Determining pension input amounts
RPSM15105050	Anti-avoidance rule
RPSM15105060	Input amounts – other money purchase arrangements
RPSM15105070	Input amounts – defined benefit arrangements
RPSM15105080	Input amounts – cash balance arrangements
RPSM15105090	Input amounts – hybrid arrangements
RPSM15105100	Interaction with the annual allowance
RPSM15105110	Example of calculating input amounts
RPSM15105120	What about the period between the start of the 2009-2010 tax year and 22 April 2009?

RPSM15105010 - Technical Pages: Special annual allowance: Total adjusted pension input amounts: Basic principles

Basic principles

[para 3 Sch 35 FA09]

For the **special annual allowance charge** to apply to an individual in relation to a particular tax year the following conditions must apply:

- the individual has relevant income of £150,000 or more for that tax year or in either of the two years before the tax year in question, and
- has made pension saving on or after 22 April 2009 (or pension saving has been made for the individual, such as by an employer) that is not 'protected' from the special annual allowance (see [RPSM15103000](#) and [RPSM15104000](#)), and
- the individual has total annual pension savings, including any pension saving from 22 April 2009 that is not 'protected', that is greater than their special annual allowance for the tax year in question.

The amount of an individual's pension saving that is not 'protected' is called the 'total adjusted pension input amount'.

If the total adjusted pension input amount for a tax year exceeds the special annual allowance for that tax year, the excess amount is subject to the special annual allowance charge.

Glossary ([RPSM20000000](#))

RPSM15105020 - Technical Pages: Special annual allowance: Total adjusted pension input amounts: Calculating total adjusted pension input amounts

Calculating total adjusted pension input amounts

The amount of the pension savings made by, or in respect of, an individual in a particular tax year that needs to be tested against the special annual allowance as a total adjusted pension input amount is established in the following way:

Step 1

The total amount of the pension savings by, or in respect of, the individual made during the tax year is valued, using the same method as is used to obtain a 'total **pension input amount**' for the purposes of the current **annual allowance**, except

- the input period is the tax year, and
- the circumstances in which the input amount is ignored are more limited.

Step 2

From the amount representing what would be the 'total pension input amount' as calculated under the current annual allowance provisions as modified or under the pensions input amount anti-avoidance rule (see [RPSM15105050](#)), as the case may be, the following deductions can be made:

- a. the amount representing the total amount of protected pension input amounts for the individual for the tax year in question;
- b. the amount representing the total amount of any relevant refunded amounts made in respect of the individual for the tax year in question; and
- c. (for the 2009-2010 tax year only) the amount representing that part of the 'total pension input amount' found under the current annual allowance provisions as modified that relates to the period beginning on 6 April 2009 and ending on 21 April 2009.

Step 3

If there is any amount of 'total pension input amount' left after any of the deductions that residual amount or, if there are no deductions, the whole of the 'total pension input amount' is the adjusted pension input amount for the purposes of the special annual allowance.

Step 4

If the total adjusted pension input amount for a tax year exceeds the special annual allowance for that tax year, the excess amount is subject to the **special annual allowance charge** unless there is an adjustment because the individual also happens to be liable to the current annual allowance charge in the same tax year.

Glossary ([RPSM20000000](#))

RPSM15105030 - Technical Pages: Special annual allowance: Total adjusted pension input amounts: Example

Example of calculating total adjusted pension input amounts

John has a **defined benefits arrangement**. He is drawing a salary of £150,000 each year. Since he joined the pension scheme in 1995 he has been accruing rights on an accrual rate of one-sixtieth of salary for each year of service. He is not a member of any other scheme.

His current **annual allowance** test is based on **pension input periods** which end on 5 July, which is the end-date of the scheme year used for all the members of the scheme. From 6 July 2009, the rules of the pension scheme are changed. The accrual rate is increased from 60ths to 30ths and all pensionable service counts for the purpose of the calculation of the increased rate of accrual. John is one of only 4 members who are subject to this provision.

Step 1

Value of savings at 5 April 2010 is $14.75/30\text{ths}$ of £150,000 = £73,750 multiplied by 10 = £737,500.

Value of savings at 6 April 2009 is $13.75/60\text{ths}$ of £150,000 = £34,375 multiplied by 10 = £343,750.

The increase in the value of his savings in 2009-2010 is $£737,500 - £343,750 = £393,750$ (total pension input amount).

Step 2

(a) Work out the protected pension input - which is the change in value of savings in the tax year, ignoring the 6 July 2009 change in defined benefit accruals.

Value of savings at 5 April 2010 would have been $14.75/60\text{ths}$ of £150,000 = £36,875 multiplied by 10 = £368,750.

Value of savings at 6 April 2009 is $13.75/60\text{ths}$ of £150,000 = £34,375 multiplied by 10 = £343,750.

The increase in the value of his savings in 2009-2010 would have been $£368,750 - £343,750 = £25,000$.

(b) No refunds made

(c) Work out the amount of the total pension input amount that relates to 6 to 21 April 2009 – which is $16/365 \times £393,750 = £17,260$

(a) + (b) + (c) = £42,260

Deduct (a) + (b) + (c) from total pension input amount to give:

Step 3

Adjusted pension input amount = $£393,750 - £42,260 = £351,490$

Step 4

Special annual allowance is £20,000 less the protected pension input at (a) to a maximum of £20,000 = nil

Amount subject to **special annual allowance charge** is £351,490

The special annual allowance charge will be 20% of £351,490 = £70,298.

Glossary ([RPSM20000000](#))

RPSM15105040 - Technical Pages: Special annual allowance: Total adjusted pension input amounts: Determining pension input amounts

Determining pension input amounts

How **pension input amounts** are determined for the purpose of establishing the 'total pension input amount' under the provisions for the current **annual allowance**, as modified, in order to arrive at a total adjusted pension input amount for the purpose of the special annual allowance will depend on the type of **arrangement** under which an individual's pension saving is made.

The basic principles for how to calculate pension input amounts are described [RPSM15105060](#) to [RPSM15105090](#). Full details about each calculation can be found in [RPSM06100000](#) onwards. However, these details must be applied on the basis that the pension input amount is that for the tax year in question for the purpose of the special annual allowance and the **pension input period** is that same tax year.

Glossary ([RPSM20000000](#))

RPSM15105050 - Technical Pages: Special annual allowance: Total adjusted pension input amounts: Anti-avoidance rule

Anti-avoidance rule

[para 6 Sch 35 FA09]

If an input amount is subject to the total **pension input amount** anti-avoidance rule the input amount is the greater of:

- the amount established as the 'total pension input amount' established by reference to the **annual allowance** provisions as modified, and
- the amount established under this anti-avoidance rule.

Glossary ([RPSM20000000](#))

RPSM15105060 - Technical Pages: Special annual allowance: Total adjusted pension input amounts: Input amount – other money purchase

Input amounts – other money purchase arrangements

The pension input amount in respect of a **money purchase arrangement** other than a **cash balance arrangement** is the total of:

- any tax **relievable pension contributions** paid by or on behalf of the individual under the **arrangement**, and
- contributions paid in respect of the individual under the arrangement by an employer of the individual,

during the tax year.

Glossary ([RPSM20000000](#))

RPSM15105070 - Technical Pages: Special annual allowance: Total adjusted pension input amounts: Input amount – defined benefits

Input amounts – defined benefits arrangements

In a **defined benefits arrangement**, the **pension input amount** is the amount of any increase in the value of the individual's rights under the arrangement during the tax year.

For this purpose, a comparison is made between the value of the individual's rights under the **arrangement** at the beginning of the tax year and the value of those rights at the end of the tax year. There will be an increase in the value of the individual's rights under the arrangement during the tax year if

- the value of the individual's rights under the arrangement at the beginning of the tax year (the "opening value") is less than
- the value of the individual's rights under the arrangement at the end of the tax year (the "closing value").

Glossary ([RPSM20000000](#))

RPSM15105080 - Technical Pages: Special annual allowance: Total adjusted pension input amounts: Input amount – cash balance

Input amounts – cash balance arrangements

For **cash balance arrangements** the **pension input amount** is the amount by which an individual's rights under the **arrangement** have increased over the tax year. There is such an increase when the closing value of an individual's rights exceeds the opening value.

Both the opening value and the closing value of the individual's rights are the amounts that would be available for the provision of benefits to or in respect of the individual on the assumption that the individual became entitled to them on the calculation dates specified, i.e. the beginning and end of the tax year. For this purpose, it is assumed that the rights under the arrangement are not affected by any scheme provision to discount pension rights by an actuarial reduction for early payment and that any calculation of rights for ill- health under the scheme provisions are ignored.

Glossary ([RPSM20000000](#))

RPSM15105090 - Technical Pages: Special annual allowance: Total adjusted pension input amounts: Input amount – hybrid arrangements

Input amounts – hybrid arrangements

A **hybrid arrangement** is one where the benefits are calculated as one of two or three alternatives, for example, **defined benefits** and **money purchase**. In these circumstances it is impossible to establish the character of the pension benefit that will ultimately be paid until it is actually paid. Consequently the **pension input amount** must be calculated on the basis that the pension will be provided by each of the types of benefit that may be payable under the arrangement (**cash balance** benefits, **other money purchase** benefits, or defined benefits as appropriate) and then using the greater or greatest of these amounts as the final figure.

Glossary ([RPSM20000000](#))

RPSM15105100 - Technical Pages: Special annual allowance: Total adjusted pension input amounts: Interaction with AA

Interaction with the annual allowance

Scheme administrators and members do not have to unwind current **pension input periods** that are in place in relation to the current **annual allowance** as they will continue to apply in the usual way.

The special annual allowance applies only to adjusted pension input amounts that occur in the tax years 2009-2010 and after. **Pension input amounts** made during the 2009-2010 and later tax years that have been measured for the purpose of arriving at a total adjusted pension input amount are also measured, in the usual way, for the purpose of the annual allowance.

Glossary ([RPSM20000000](#))

RPSM15105110 - Technical Pages: Special annual allowance: Total adjusted pension input amounts: Example of calculating input amounts

Example of calculating input amounts

At 22 April 2009 Mark is accruing benefits under a **defined benefits** scheme. Mark has no other rights accruing under this or any other pension scheme.

The **pension input period** for the purpose of the current **annual allowance** that was running at 22 April 2009 commenced on 2 June 2008 and ended on 1 June 2009.

On 1 June 2008 Mark had completed 10 years pensionable service and his pension benefit accrued at 1/60th of salary for each year of service. His pensionable salary was £180,000. Accordingly his pensionable entitlement on that date was £30,000 (10 x 1/60th x £180,000). A lump sum is available only by commutation of pension.

By 1 June 2009 Mark's pensionable salary had risen to £185,000. Accordingly his pensionable entitlement on that date was £33,917 (11 x 1/60th x £185,000).

The increase in Mark's pension rights under this **arrangement** was therefore £39,170 ((£33,917 x 10) - £30,000 x 10)).

As there had been no change to the basis on which Mark's benefit rights had accrued between 22 April 2009 and 1 June 2009 the increase in Mark's benefit rights is a protected pension input amount for the purpose of the current annual allowance. (The input amount is within the current annual allowance of £245,000 for 2009-2010 and so Mark had no **annual allowance charge** to pay in respect of the input.)

At the end of the 2009-2010 tax year Mark is still accruing benefits under the same defined benefits scheme and on the same basis (1/60th of salary for each year of service) and during 2009-2010 Mark had no other rights under this or any other pension scheme. Mark, therefore, did not have any adjusted pension input amounts for the purpose of the special annual allowance pension input period for 2009-2010.

Glossary ([RPSM20000000](#))

RPSM15105120 - Technical Pages: Special annual allowance: Total adjusted pension input amounts: From 6 April 2009 to 22 April 2009

What about the period between the start of the 2009-2010 tax year and 22 April 2009?

[para 16 Sch 35 FA09]

Any increases in pension saving made between 6 April 2009 and 21 April 2009 will be protected amounts.

This means that any contributions paid to **other money purchase schemes** on or after 6 April 2006 and before 22 April 2009 will not be tested against the special annual allowance.

For **cash balance** and **defined benefits** schemes it is the proportion of the **pension input amount** that relates to the period from on or after 6 April 2009 to immediately before 22 April 2009 which are not tested against the special annual allowance.

For **hybrid arrangements** it is determined by reference to how the benefits accrued for the **arrangement** in question over the **pension input period**. For example, if the greatest amount by which the benefits accrued was on an 'other' money purchase basis then any contributions paid on or after 6 April 2006 and before 22 April 2009 will not count for the purpose of the special annual allowance.

Glossary ([RPSM20000000](#))

RPSM15106000 – Technical Pages: Special annual allowance: Becoming entitled to benefits: Contents

Becoming entitled to benefits under an arrangement: Contents

- [RPSM15106010](#) The special annual allowance may apply when benefits are taken
 - [RPSM15106020](#) Test against special annual allowance when benefits taken: Member's Death
 - [RPSM15106030](#) Test against special annual allowance when benefits taken: Lump sum death benefits
 - [RPSM15106040](#) Test against special annual allowance when benefits taken: Example 1
 - [RPSM15106050](#) Test against special annual allowance when benefits taken: Example 2
-

RPSM15106010 – Technical Pages: Special annual allowance: Becoming entitled to benefits: Test against SAA where benefits taken

The special annual allowance may apply when benefits are taken

[para 4 Sch 35 FA 09]

For the purposes of the special annual allowance where all benefits are taken under an arrangement, there will, except as provided below, be a test against the available special annual allowance. This is different from the position of the **annual allowance** (see [RPSM06100090](#) and [RPSM06100100](#)).

The special annual allowance test will not apply in respect of an **arrangement** where, before the end of the tax year the individual has become entitled to all of the benefits from the arrangement and either Condition A or Condition B is met.

Also, the special annual allowance test will not apply in respect of an arrangement where, before the end of the tax year, the individual dies and Condition A is met.

Condition A

The member's **arrangement** is a **defined benefits arrangement** and, at the time that the member becomes entitled to benefits, or dies, there are at least 20 members in the pension scheme in respect of whom benefits are accruing or **scheme pensions** are being paid (note – members with deferred benefits only do not count for this purpose but life assurance only members and members with benefits in schemes which are closed to future service where benefits are linked to future salary increases would count).

Condition B

The benefits are being paid because the individual meets the 'ill-health condition' and the arrangement is held under any of the following pension schemes

- an **occupational pension scheme**
- a **public service pension scheme**, or
- a **group personal pension scheme**.

For both conditions A and B there is a further requirement; that the taking of benefits is not part of a scheme or arrangement the main purpose, or one of the main purposes, is to avoid or reduce liability to the special annual allowance charge, annual allowance charge or lifetime annual charge.

Glossary ([RPSM20000000](#))

RPSM15106020 - Technical Pages: Special annual allowance: Becoming entitled to benefits: Member's Death

Test against special annual allowance where benefits taken: Member's Death

In the event of the death of the member in the tax year concerned, or the payment of a serious ill-health lump sum (see [RPSM09104600](#)) under the **arrangement** (where the ill-health condition, see [RPSM08100070](#), does not happen to be met), when Condition A (see [RPSM15106010](#)) does not apply in either case, no test will apply for the purpose of the **annual allowance**, as is already the case, but a test against available special annual allowance will apply.

Glossary ([RPSM20000000](#))

RPSM15106030 - Technical Pages: Special annual allowance: Becoming entitled to benefits: Lump sum death benefits

Test against special annual allowance where benefits taken: Lump sum death benefits

[para 4 Sch 35 FA 09]

A lump sum death benefit (to which the individual is not entitled) would not be caught by the special annual allowance (or the **annual allowance**).

The following examples explain how pension input amounts are calculated when an individual becomes entitled to all benefits under an **arrangement** when neither 'Condition A' nor 'Condition B' applies (see [RPSM15106010](#)).

Glossary ([RPSM20000000](#))

RPSM15106040 - Technical Pages: Special annual allowance: Becoming entitled to benefits: Example 1

Test against special annual allowance where benefits taken: Example 1

James has relevant income of £150,000 or more.

He accrues benefits under a **defined benefits** (DB) scheme at a rate 1/60th of pensionable salary for each year of service.

James retired on 31st December 2009 and his pensionable salary for the DB scheme purposes rose from £120,000 at 6th April 2009 (when he had 15 years of pensionable service) to £140,000 at 31st December 2009 (when he had 15.75 years of pensionable service).

His accrued pension at 6th April 2009 was £30,000 pa and at 31st December 2009 it was £36,750 pa.

However James retired early so this pension was subject to an early reduction factor of 80% which meant his starting pension was £29,400 (£36,750 x 80%). James commuted some of his starting pension for his '25% lump sum' at a rate of £15 lump sum: £1 of pension. Therefore, his actual package was a **pension commencement lump sum** of £135,692 and a residual pension of £20,354 pa. The **scheme administrator** identified the total **BCE** value of this as £542,769 (£135,692 + [£20,354 x 20]).

Although James has become entitled to all of his benefits under the DB scheme, a pension input amount has to be calculated as neither 'Condition A' nor 'Condition B' applies (see [RPSM15106010](#)).

Following the principles for the **annual allowance**, the **pension input amount** is calculated as follows

Opening value £30,000 x 10 = £300,000

Closing value £36,750 x 10 = £367,500

Pension Input Amount for testing against Special Annual Allowance is £67,500 (being £367,500 - £300,000).

Note, for the purpose of the closing value, the actual package of benefits that James received and that were then fed into the BCE calculation is converted back into the prospective entitlement of £36,750 pa that James had under the DB scheme before deciding to retire early.

Glossary ([RPSM20000000](#))

RPSM15106050 - Technical Pages: Special annual allowance: Becoming entitled to benefits: Example 2

Test against special annual allowance where benefits taken: Example 2

Linda has a **money purchase arrangement** with a fund to which she has not made any contributions since 2005. On 1 July 2009 she pays a contribution of £300,000 and on 1 August 2009 she has arranged with the scheme to draw a **pension commencement lump sum** and designates the remainder of the fund as available to pay an **unsecured pension**.

There will be a test against the special annual allowance.

The amount of £300,000 gives rise to an adjusted pension input amount of £300,000, and there is no protected pension input amount to deduct. The special annual allowance in this instance is £20,000. The amount chargeable to the **special annual allowance charge** is therefore £280,000.

Linda will be liable to a special annual allowance charge of 20% of £280,000 = £56,000.

Note that there is no test against the **annual allowance** in this case (because it is set aside for the tax year in which all benefits are taken), despite the pension input amount exceeding the current annual allowance. However, the special annual allowance applies because the rule about setting aside the test for the tax year of taking benefits is more limited in relation to the special annual allowance.

Glossary ([RPSM20000000](#))

RPSM15107000 - Technical Pages: Special annual allowance: The special annual allowance tax charge: Contents

The special annual allowance tax charge: Contents

[RPSM15107010](#) The special annual allowance charge

RPSM15107010 - Technical Pages: Special annual allowance: The special annual allowance tax charge

The special annual allowance charge

[para 1 Sch 35 FA09]

When the special annual allowance is exceeded there is an income tax charge called the **special annual allowance charge**.

The special annual allowance charge is a tax charge on the individual.

It arises where the total adjusted **pension input amount** for an individual for that tax year exceeds the amount of the available special annual allowance for that tax year for that individual. The first year it will apply is 2009-2010.

Where the total adjusted pension input amount exceeds the special annual allowance, the special annual allowance charge is levied on the excess.

The special annual allowance charge is to recover the excess of relief at tax rates higher than basic rate. Basic rate tax relief effectively continues.

[para 1(8) Sch 35 FA09]

For 2009-2010, the special annual allowance charge is set at 20% and is charged on the excess of the special annual allowance.

[para 1(9) Sch 35 FA09]

However, if an individual ever became liable to both the special annual allowance charge and the **annual allowance charge** in relation to the same tax year there would be a reduction to the amount subject to the special annual allowance charge to prevent double-charging.

Glossary ([RPSM20000000](#))

RPSM15107500 - Technical Pages: Special annual allowance: Interaction with the annual allowance: Contents

Interaction with the annual allowance: Contents

RPSM15107510	Overview
RPSM15107520	Special annual allowance charge and annual allowance charge in the same year
RPSM15107530	Example of special annual allowance charge and annual allowance charge in the same year

RPSM15107510 - Technical Pages: Special annual allowance: Interaction with the annual allowance: Overview

Overview

The special annual allowance runs alongside the **annual allowance** that was introduced from the tax year 2006-2007 onwards. Both annual allowances apply from 2009-2010. However, the special annual allowance applies only in respect of individuals who have relevant income of £150,000 or more.

It is possible for an individual to be subject to an **annual allowance charge** under the annual allowance but not be subject to the **special annual allowance charge**.

Example

On 1 June 2008 Mark started a pensionable employment with a starting annual salary of £730,000. Mark's pensionable service with that employer also started on 1 June 2008 and his pension benefits accrue on a 1/30th accrual rate and a lump sum is available only by commutation of pension.

Mark has no other rights accruing under this or any other pension scheme.

For the purpose of the current annual allowance Mark's first pension input period in respect of his **defined benefit arrangement** started on 1 June 2008.

By 1 June 2009, the end of the first pension input period for the purpose of the current annual allowance, Mark's pensionable entitlement was £24,333 (1 x 1/30th x £730,000).

The increase in Mark's pension rights under this **arrangement** was, therefore, £243,330 (£24,333 x 10) (the opening value of the benefits under the arrangement was nil).

By 1 June 2010, the end of the second pension input period for the purpose of the current annual allowance, Mark's pensionable salary had risen to £766,500. Accordingly his pensionable entitlement on that date was £51,100 (2 x 1/30th x £766,500). The increase in Mark's pension rights under the arrangement was, therefore, £267,670 ((£51,100 x 10) - (£24,333 x 10)).

For the purpose of the special annual allowance, the increase in Mark's pension rights are in accordance with the terms of the employment contract that Mark had in place with his employer immediately before 22 April 2009. The pension input amounts of £243,330 (no charge under the current annual allowance) and £267,670 (charged under the current annual allowance) are, therefore, protected pension input amounts and so the special annual allowance does not apply to either of those input amounts.

For the purposes of the current annual allowance, the £243,330 increase in Mark's pension rights for the pension input period ending in the tax year 2009-2010 was within the current annual allowance of £245,000 for that year. Mark has no annual allowance charge to pay in respect of the current annual allowance for that year.

However, the £267,670 increase in Mark's pension rights for the pension input period ending in the tax year 2010-2011 was in excess of the current annual allowance of £255,000 for that year. He will therefore be liable to an annual allowance charge in respect of the excess amount.

RPSM15107520 - Technical Pages: Special annual allowance: Interaction with the annual allowance: SAAC and AAC in the same year

Special annual allowance charge and annual allowance charge in the same year

[para 1(9) Sch 35 FA09]

Alternatively, it is possible for an individual to be subject to an **annual allowance charge** under the **annual allowance** and be subject to the special annual allowance charge under the special annual allowance in relation to the same tax year.

When an individual is subject to a tax charge under both the annual allowance and the special annual allowance an adjustment is made to the amount subject to the special annual allowance charge.

Ordinarily, the **special annual allowance charge** applies in respect of the amount by which an individual's total adjusted pension input amount exceeds the individual's special annual allowance.

Example

Mark's special annual allowance is £20,000 and Mark has a total adjusted pension input amount of £25,000. The special annual allowance charge will apply in respect of the excess amount of £5,000 (£25,000 - £20,000).

Where an individual is liable to the annual allowance charge in respect of the annual allowance as well, there will be an excess amount in relation to the individual's total pension input amount that have been determined, in the usual way, for the purpose of the annual allowance. The amount representing the excess on the annual allowance is deducted from the excess amount that has been determined for the purpose of the special annual allowance.

Glossary ([RPSM20000000](#))

RPSM15107530 - Technical Pages: Special annual allowance: Interaction with the annual allowance: Example of SAAC and AAC in the same year

Example of special annual allowance charge and annual allowance charge in the same year

Mark has relevant income for 2009-2010 of £150,000.

Mark pays a contribution of £295,000 into an **other money purchase arrangement** in May 2009 in a pension input period that ends on 1 June 2009 for the purpose of the current **annual allowance**. The current annual allowance for 2009-2010 has been exceeded by £50,000 (£295,000 - £245,000). Mark is liable for the **annual allowance charge** of £20,000 (£50,000 x 40%).

The contribution of £295,000 is the only pension savings that Mark makes in 2009-2010 and the amount is not a protected pension input amount.

Mark is also liable to the **special annual allowance charge** in respect of the same contribution as that contribution also exceeded Mark's special annual allowance for 2009-2010 of £20,000.

The amount that would ordinarily be subject to the special annual allowance charge is £275,000 (£295,000 - £20,000). However, as Mark is also liable to the annual allowance charge in 2009-2010 the amount ordinarily subject to the special annual allowance charge (£275,000) is reduced by the amount of the excess that is subject to the annual allowance charge (£50,000).

Mark is liable to a special annual allowance charge of £45,000 in 2009-2010 ((£275,000 - £50,000) x 20%).

Glossary ([RPSM20000000](#))

RPSM15108000 - Technical Pages: Special annual allowance: Relevant refunded amounts: Contents

Relevant refunded amounts: Contents

RPSM15108010	Refund of contributions
RPSM15108020	Contributions refund lump sum
RPSM15108030	Adjusted contributions amount
RPSM15108040	Relevant relievable contributions
RPSM15108050	Amount refunded
RPSM15108060	Tax charge on contributions refund lump sum
RPSM15108070	Scheme administrator accounts for tax charge
RPSM15108080	Authorised member payments
RPSM15108090	Accounting for the tax due
RPSM15108100	The Accounting for Tax return
RPSM15108110	Refunds of 2009-2010 contributions
RPSM15108120	Refund of employer contributions
RPSM15108130	Interaction with scheme rules
RPSM15108140	Scheme sanction charge

RPSM15108010 - Technical Pages: Special annual allowance: Relevant refund amounts: Refund of contributions

Refund of contributions

[para 15 Sch 35 FA09]

The special annual allowance was introduced with immediate effect from 22 April 2009. It is possible, therefore, that individuals with relevant income of £150,000 or more might have made pension scheme contributions in 2009-2010 or later without realising that they will be subject to a **special annual allowance charge** because that pension saving is included as a total adjusted **pension input amount** that has exceeded the individual's available special annual allowance. To allow for this those running pension schemes can, if they want and are able to do so, make 'contributions refund lump sums' that relate to certain contributions made by or on behalf of the individual.

[para 3(3) Sch 35 FA09]

Where a refund of contributions meets the conditions of a contributions refund lump sum that refund is a 'relevant refunded amount' that is deducted from the total adjusted pension input amount for the year the contributions that the relevant refunded amount were paid. The amount of the relevant refunded amount (the contributions refund lump sum) will not therefore be subject to the special annual allowance tax charge. The refund will not be an unauthorised payment.

Glossary ([RPSM20000000](#))

RPSM15108020 - Technical Pages: Special annual allowance: Relevant refund amounts: Contributions refund lump sum

Contributions refund lump sum

[para 15 Sch 35 FA09]

A refund of contributions is a 'contributions refund lump sum' if it meets the following conditions:

- it relates to a particular **arrangement** under the pension scheme
- the refund lump sum is not any of the lump sums listed in section 166(1) Finance Act 2004, that is it is not a
 - **pension commencement lump sum**
 - serious ill-health lump sum
 - **short service refund lump sum**
 - **refund of excess contributions lump sum**
 - **trivial commutation lump sum**
 - **winding-up lump sum**, or
 - **lifetime allowance excess lump sum**
- the person making the contributions was a 'high-income individual' in the tax year the contributions were made (i.e. their relevant income was £150,000 or more for the tax year or in either of the preceding two tax years, or both)
- the refund lump sum is paid in the tax year following the tax year to which the refund relates (i.e. if the refund relates to contributions paid in 2009-2010, the payment must be made in 2010-2011 and if the refund relates to contributions paid in 2010-2011, the payment must be made in 2011-2012), and
- the amount of the lump sum does not exceed the 'adjusted contributions amount' for the tax year – see [RPSM15108030](#).

Glossary ([RPSM20000000](#))

RPSM15108030 - Technical Pages: Special annual allowance: Relevant refund amounts: Adjusted contributions amount

Adjusted contributions amount

An amount is an 'adjusted contributions amount' for the tax year if it does not exceed the amount of the 'relevant relievable contributions' (see [RPSM15108040](#)) paid by, or on behalf of, the individual under the arrangement in the tax year in question less any amounts representing the following:

- contributions paid by the individual on or after reaching age 75
- contributions which are life assurance premium contributions (see [RPSM05101225](#))
- any previous contributions refund lump sum paid in the same tax year in respect of the **arrangement**
- any **pension debit** applied to the individual's rights under the arrangement where that debit was applied in the same tax year to which the refund lump sum relates
- the sums or market value of assets transferred out of the arrangement in respect of the individual to another registered pension scheme or qualifying recognised overseas pension scheme in the tax year to which the refund lump sum relates
- the amount crystallised in respect of any **benefit crystallisation event** that occurred in relation to the individual and the arrangement in the tax year to which the refund relates, and
- for the purpose of the 2009-2010 tax year, any contributions paid on or after 6 April 2009 but before 22 April 2009.

Glossary ([RPSM20000000](#))

RPSM15108040 - Technical Pages: Special annual allowance: Relevant refund amounts: Relevant relievable contributions

Relevant relievable contributions

Only the following are 'relevant relievable contributions':

- in the case of an occupational pension scheme, a public service scheme or a group personal pension scheme only, contributions which are additional voluntary contributions but not additional voluntary contributions which are protected pension input amounts under [RPSM15103340](#), and
- in the case of any other type of pension scheme, contributions which are not protected pension input amounts under [RPSM15103610](#) or certain pre-22 April 2009 amounts under [RPSM15100570](#).

Contributions made by an employer of the member are not to be included within any refunded lump sum.

Glossary ([RPSM20000000](#))

RPSM15108050 - Technical Pages: Special annual allowance: Relevant refund amounts: Amount refunded

Amount refunded

The amount refunded must represent the amount of the 'gross contribution' that has been made by, or on behalf of, the individual and which is being refunded. This means that an individual for whom a 'net contribution' was paid under the 'relief at source' arrangements should receive a payment that represents both the 'net amount' paid and the 'top-up' relating to the basic rate tax relief given in respect of the contribution.

The relief at source claim as made by the provider of the pension scheme in respect of a contribution that is then refunded in this way must not be later altered as a result of the payment by the scheme of the refunded amount.

Glossary ([RPSM20000000](#))

RPSM15108060 - Technical Pages: Special annual allowance: Relevant refund amounts: Tax charge on contributions refund lump sum

Tax charge on contributions refund lump sum

A tax charge will apply in respect of such a payment of a refund. The tax charge will be at a rate of 40% of the amount of the payment made to the individual. The tax charge is the **scheme administrator's** liability. The individual is not liable to this tax charge.

Glossary ([RPSM20000000](#))

RPSM15108070 - Technical Pages: Special annual allowance: Relevant refund amounts: Scheme administrator accounts for tax charge

Scheme administrator accounts for tax charge

If a payment is made and the **scheme administrator** accounts for the tax charge due by way of a deduction from the 'gross amount' of payment that would otherwise have been paid, the tax charge is based on that 'gross' amount.

Example

An individual is due to receive a payment of £30,000 from a pension scheme representing a corresponding amount of contributions that the individual paid to that scheme in the tax year 2009-2010.

The scheme administrator's tax liability is £12,000 (£30,000 x 40%).

The scheme administrator accounts for the tax due by making a deduction from the payment the individual would otherwise have received and so the individual receives a payment of £18,000 (£30,000 - £12,000).

RPSM15108080 - Technical Pages: Special annual allowance: Relevant refund amounts: Authorised member payments

Authorised member payments

[Para 15(1) Sch 35 FA09]

For it to be an **authorised member payment**, the amount of the contributions refund lump sum in respect of a particular arrangement cannot exceed the amount of the contributions paid by the individual under that arrangement in the particular tax year. In effect, this allows the individual only to get back his or her own contributions. The payment does not allow for any employer contributions paid in respect of the individual or any other contributions paid on behalf of the individual to be returned to the individual.

Glossary ([RPSM20000000](#))

RPSM15108090 - Technical Pages: Special annual allowance: Relevant refund amounts: Accounting for the tax due

Accounting for the tax due

The **scheme administrator** must account for the tax due in respect of such a payment in the same way that the scheme administrator might account for tax charges it might be liable for in respect of a registered pension scheme (other than the scheme sanction charge). The scheme administrator is required to make an 'Accounting for Tax Return' in respect of any tax for which the administrator has become liable in any designated 3-month period. The 3-month periods are the quarters ending 31 March, 30 June, 30 September and 31 December.

Glossary ([RPSM20000000](#))

RPSM15108100 - Technical Pages: Special annual allowance: Relevant refund amounts: The Accounting for Tax return

The Accounting for Tax return

An 'Accounting for Tax Return' is in electronic format for this purpose and is available on the HMRC internet site, by going to 'Pension Schemes Online'. The completed form must be delivered to HMRC electronically within 45 days beginning with the day immediately following the end of the relevant 3-month period. A practitioner can submit the Accounting for Tax Return if authorised by the **scheme administrator** to do so.

The income tax in respect of which the return is made must be paid within the same time limit as is given for completion of the return, that is within 45 days following the end of the 3-month period. It is payable without the making of an assessment by HMRC. For more details about how to make the payment, please see the separate guidance on the HMRC website, by going to the homepage at www.hmrc.gov.uk and following the links for 'How to pay' to find the instructions for a pension scheme.

Glossary ([RPSM20000000](#))

RPSM15108110 - Technical Pages: Special annual allowance: Relevant refund amounts: Refunds of 2009-2010 contributions

Refunds of 2009-2010 contributions

However, for refunds of 2009-2010 contributions, there will be no bespoke arrangements under the 'Accounting for Tax Return' for paying the tax charge due in respect of these particular payments. Instead, HMRC requires the **scheme administrator** to use existing boxes for accounting for tax in respect of a short service refund lump sum.

Ideally scheme administrators should put the full amount of any refunds in the '40% box' for the short service refund lump sum procedure under the 'Accounting for Tax Return'. However, the return capture process will not accept an entry in the '40% box' unless there is a non-zero entry in the '20% box' under the same procedure. So if the scheme administrator has no short service refund lump sums less than £10,800 in respect of which to account for tax under the same 'Accounting for Tax Return' for a particular period, scheme administrators should put an amount of £1 in the '20% box' of the short service refund lump sum procedure and the balance amount of the payment in the '40% box'.

Example

For a refund payment of £30,000, £1 is put in the '20% box' and £29,999 is put in the '40% box'.

In practice, the first time an 'Accounting for Tax Return' in respect of such a refund will be submitted is after the end of the 2009-2010 tax year.

Glossary ([RPSM20000000](#))

RPSM15108120 - Technical Pages: Special annual allowance: Relevant refund amounts: Refund of employer contributions

Refund of employer contributions

A contributions refund lump sum cannot include any employer contributions paid in respect of the individual or any other contributions paid on behalf of the individual. A refund to a **sponsoring employer** from an **occupational pension scheme**, for example, would have to meet the conditions of an authorised surplus payment for it to be an authorised employer payment (see [RPSM04102020](#)). A payment to the employer from a pension scheme that is not an occupational pension scheme or a **public service pension scheme** would be an **unauthorised member payment**.

Glossary ([RPSM20000000](#))

RPSM15108130 - Technical Pages: Special annual allowance: Relevant refund amounts: Interaction with scheme rules

Interaction with scheme rules

The tax rules do not give a statutory right to such a refund. Instead it is a matter for those involved with the management of the pension scheme to decide if they can make arrangements for such refunds.

The arrangements that are put in place in relation to paying 'contributions refund lump sums' is a matter for those who manage the pension scheme. However, the **scheme administrator** of the pension scheme might be concerned that there could be a scheme sanction charge should it turn out to be the case that a refunded amount is an unauthorised payment because the all of the necessary conditions for a 'contributions refund lump sums' have not, in fact, been met.

Glossary ([RPSM20000000](#))

RPSM15108140 - Technical Pages: Special annual allowance: Relevant refund amounts: Scheme sanction charge

Scheme sanction charge

The arrangements that are put in place in relation to paying 'contributions refund lump sums' is a matter for those who manage the pension scheme. However, the **scheme administrator** of the pension scheme might be concerned that there could be a scheme sanction charge should it turn out to be the case that a refunded amount is an unauthorised payment because the all of the necessary conditions for a 'contributions refund lump sums' have not, in fact, been met.

Scheme administrators are able to apply to HMRC to ask it to discharge their liability in respect of a scheme sanction charge. Such an application can be made where the scheme administrator considers that the grounds for such a discharge are just and reasonable. The scheme administrator must set out those grounds as part of the application.

Reasonable grounds would, for example, in the case of a member who is arm's length from the pension scheme and the scheme administrator, be where

- a scheme administrator asks the member, who is about to receive a refund, to declare whether or not the lump sum meets all of the necessary conditions for a 'contributions refund lump sum'
- the member declares to the scheme administrator that all of the necessary conditions have been met, and
- despite the declaration to the contrary to the scheme administrator, not all of the necessary conditions, as requested from the member under the declaration, were met.

However, where a scheme sanction charge liability is discharged in respect of a particular refund (that is an unauthorised payment), that discharge does not stop the unauthorised payment from being a **scheme chargeable payment**. In the circumstances, such scheme chargeable payments would still be included in any review to ascertain whether or not one of the possible grounds for de- registration applies – the ground in question being that amount of scheme chargeable payments in a 12 month period exceeds the de-registration threshold.

Should the threshold be exceeded, HMRC officials would then consider whether or not the registration of the pension scheme concerned should be withdrawn. It is unlikely that HMRC would withdraw registration if the scheme chargeable payments that led to the de-registration threshold being exceeded were payments that turned out not to be 'contributions refund lump sums' and, because there were reasonable grounds, HMRC had agreed to discharge the scheme administrator's scheme sanction charge liability in respect of those payments.

More detailed guidance concerning the taxation of unauthorised payments is at [RPSM04104000](#).

Glossary ([RPSM20000000](#))

RPSM15109000 - Technical Pages: Special annual allowance: Overseas pension schemes: Contents

Overseas pension schemes: Contents

- [RPSM15109010](#) Overview
 - [RPSM15109020](#) Currently-relieved non-UK pension schemes
 - [RPSM15109030](#) What is an overseas pension scheme?
-

RPSM15109010 - Technical Pages: Special annual allowance: Overseas pension schemes: Overview

Overview

[Para 20 Sch 35 FA09]

The legislation for the special annual allowance includes a provision enabling extension of the rules on special annual allowance to be applied to members of currently-relieved non-UK scheme. A Treasury Order sets out the conditions. The order is called the Special Annual Allowance Charge (Application to Members of Currently-Relieved Non-UK Pension Schemes) Order 2009.

RPSM15109020 - Technical Pages: Special annual allowance: Overseas pension schemes: Currently-relieved non-UK pension schemes

Currently-relieved non-UK pension schemes

A pension scheme is a currently-relieved non-UK pension scheme in relation to a tax year if it is not a **registered pension scheme** and if one or both of the following conditions is met:

- relief from UK tax is given in respect of individual or employer contributions paid to it during the tax year by virtue of Schedule 33 of Finance Act 2004 or under double tax arrangements. That includes contributions that have received migrant member relief and employer contributions in respect of which an employee is tax-exempt under section 308A Income Tax (Employment and Pensions) Act 2003 (ITEPA). It also includes contributions that have received transitional corresponding relief under paragraph 51 of Schedule 36 of Finance Act 2004, or under article 15 or 17 of The Taxation of Pension Schemes (Transitional Provisions) Order 2006 – SI 2006/572. The contributions must have been made after 5 April 2006.
 - any of its members has been exempt from liability to tax by virtue of section 307 ITEPA in respect of provision for retirement or death benefits made by their employer at any time during the tax year when it is an overseas pension scheme. Provision must have been made after 5 April 2006.
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RPSM15109030 - Technical Pages: Special annual allowance: Overseas pension schemes: What is an overseas pension scheme?

What is an overseas pension scheme?

A pension scheme is an **overseas pension scheme** if it is not a **registered pension scheme** but it is established in a country or territory outside the UK and satisfies the requirements in the Pension Schemes (Categories of Country and Requirements for Overseas Pension Schemes and Recognised Overseas Schemes) Regulations 2006 - SI2006/No 206.

More details about currently-relieved non-UK pension schemes can be found in [RPSM13102300](#) onwards and more details about how the special annual allowance has application can be found at [RPSM13102450](#) onwards.
