



## GP PENSIONS UPDATE

DECEMBER 2011



**This information has been provided by:**

**Alison McDowall  
Manager**

*On 23 November 2011 Francis Whitbread and I visited Solihull for the AISMA (Association of Independent Specialist Medical Accountants) pensions training day.*

*The main aim of the day was to give an update on the current position under the proposed changes in pensions that will affect GPs, the reduction in the Annual Allowance (AA) from 6 April 2011 and the lifetime allowance (LTA) from 6 April 2012.*

*The main points of interest that I feel are relevant are:-*

### **PROPOSED CHANGES IN NHS PENSION SCHEME**

- The current proposals include:- There may be a new scheme by 2015 to replace the existing 1995 and 2008 schemes, but past accrued services in these schemes will be protected.
- That the normal pension age will be linked with state pension age.
- That there are to be a proposed seven bands for increased tiered contribution rates.

The emphasis is that these are proposals and that it may be best to wait and see what happens before making any decisions with regard to pensions. You should not make any decision about your pension without seeking advice from a specialist IFA.

Once the proposals are final, should you wish us to give you an indication of how they could affect you personally from a tax perspective and the impact on your available earnings then please contact us.



### **ANNUAL ALLOWANCE**

The changes in tax relief on pensions from 6 April 2011 have been highlighted in our previous newsletters. You will be aware that where pension input for a tax year exceeds £50,000 there will be an additional tax liability. The pension input is calculated by reference to the pension input period (PIP) that ends in the tax year. For the NHS pension scheme this is 31 March, but should you have a personal pension then the PIP could be different for that pension.

The pension input for the NHS Pension is calculated by the increase in pension benefits during the year and not by the amount paid into your pension. The problem that arises is that the NHS Pensions Agency will not be issuing the 2011/12 pension certificates showing the pension input for that year until October 2013, nine months after the filing deadline for the 2011/12 tax return. It will therefore be necessary to estimate the pension input for the NHS scheme for the year ended 31 March 2012 and if the £50,000 limit is exceeded, include an entry on your tax return. I will mention this again later.

It is currently understood that when completing the 2011/12 tax return that if the additional tax liability exceeds £2,000 it will be possible to request that the NHS Pension Scheme will be responsible for paying the tax due, but this will of course affect the final pension you receive.

### **LIFETIME ALLOWANCE**

You will be aware that the lifetime allowance (LTA) for pension purposes reduces to £1.5 million (currently £1.8 million) with effect from 6 April 2012. If the value of your pension funds, including of course the NHS pension fund, exceeds this amount there will be an income tax charge of 25% on the

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excess amount. The proposals are yet to be finalised on collection of this charge but the current suggestion is that this will be dealt with by deduction from the pension when it is drawn over a 20 year period.

There is action that can be taken dependent on how close retirement is. GPs who were unable to make a claim for what was called enhanced protection back in 2009 because they did not exceed the then LTA may be able to make a late claim because they were not aware then of the planned reduction from 6 April 2012. A new form of protection called fixed protection may benefit those who are retiring within the near future. There is also scope for adjusting the split between pension and tax free lump sum when the pension is drawn.



## WHAT ARE WE DOING FOR YOU

During the summer we asked for your authority to write to the NHS Pensions Agency to request a current valuation of your pension plan. We have now received a large number of these and will be reviewing them to ensure these are in line with what we expect to see based on your employment history and practice profit share. It was highlighted during the course that it is easy for a typing error to be made when recording the information at the NHS Pensions Agency.

During the early part of 2012 we will be using the information to review your position with regard to the AA and writing to you at an early stage to advise if you will be affected for the 2011/12 tax return.

We will prepare calculations showing the estimated position with regard to the lifetime allowance and also other possible scenarios you may want investigated such as reduction of profit share, 24 hour retirement etc.

Our projections will I am afraid at all times be a best estimate as we will not know what income, dynamisation rates for the NHS pension scheme, pension

legislation, cost of living increases and tax rates will be in the future. It will be necessary to review our projections on a regular basis.



## INDEPENDENT FINANCIAL ADVICE

We are able to prepare calculations to aid you in making decisions but are unable to give specific financial advice. The involvement of an IFA with detailed knowledge of the NHS pension scheme is therefore vital and if you do not have an existing arrangement please speak to David Carr our in house financial adviser.

### Disclaimer

This newsletter is intended to give general guidance only and no liability can be accepted for any action taken based on the information given.

**EDMUND CARR LLP  
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**Do you have a friend or colleague that is affected by the changes, why not forward it on.**

### Registered Auditors and Chartered Tax Advisers

Edmund Carr LLP, 146 New London Road, Chelmsford, Essex, CM2 0AW, UK  
+44 0 1245 261818 www.EdmundCarr.com

David C Drain    Eric D Williams    Stewart P Martin  
Francis V Whitbread    Ray Crace    Debbie J Wakefield FCCA

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