



Roche Pension Fund

Pension tax allowances

Your guide



January 2023





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As a high earner, you may reach the limit of your pension tax allowances

The amount of tax-efficient pension savings you build up into any UK registered pension scheme is subject to certain limits. These limits are known as the **Annual Allowance** (AA) and the **Lifetime Allowance** (LTA). These limit the total amount of tax-efficient pension savings any one person can get over the year (for AA) and over their entire lifetime (LTA).

The tax allowances are more likely to affect you if your annual salary is £90,000 or more (before any bonus that may be awarded) or if you have been saving into your pension (Roche and any other employers) for a long time. This could result in an additional tax charge.

This is a personal tax matter and Roche can't monitor your situation regarding the AA and LTA. It is your responsibility to monitor your tax obligations. Roche will not be held responsible if you are subject to a tax charge. For more information about pension tax, take a look at the resources on [pages 4 to 5](#).

Note for members of the Defined Benefit (DB) scheme

You can suspend your scheme membership if you wish, as outlined in this guide, and we will be back in touch with you in June to discuss your choice in relation to the closure of the DB scheme.

What are your options?

At Roche, we want to give you choice and flexibility. So, to help you manage your tax matters, we offer two options if you are impacted by the AA and/or LTA:

1 Option 1: Stay in the Fund

You can choose to remain in the Fund (or, if you have previously suspended your membership, re-join the Fund).

This means:

- You will continue to build up pension benefits in the Fund.
- If you exceed the AA and/or LTA, you will be liable to pay additional tax charges. See [pages 4 and 5](#).
- If you incur an AA tax charge you could choose to pay this tax charge yourself; or
- If eligible, you can use Scheme Pays, where the Fund pays the tax charge for you and your benefits in the Fund are reduced accordingly.

2 Option 2: Suspend your membership and receive enhanced salary for 12 months

You can suspend your membership in the Fund for 12 months from 6 April 2023.

This means:

- You will receive alternative compensation of 14% of your Basic Contribution Salary (this will be subject to tax and National Insurance).
- You can restart your membership after 12 months or opt to continue with the compensation arrangement.



Understand the pension tax allowances

The amount of tax-efficient pension savings you build up into any UK registered pension scheme is subject to certain limits. These limits are known as the Annual Allowance (AA) and the Lifetime Allowance (LTA). You'll usually need to pay additional tax charges on your pension benefits if they go above either the AA or the LTA.

The Annual Allowance (AA)

This is the maximum amount of pension savings you can make in a tax year, and receive full tax relief.

- The standard AA is £40,000, although a lower AA may apply to certain 'high earners' – see 'the 'tapered' AA' section.
- The AA applies to the contributions made by you and Roche (or any other employer on your behalf) in each tax year.

Carrying forward unused AA

You can make use of any AA you have not used during the three previous tax years. The unused amount can offset the amount of AA you have exceeded in the current tax year.

To find out more, visit www.gov.uk/tax-on-your-private-pension

The 'tapered' AA

The reduced AA applies to you if you meet both of the following points:

1. Your **threshold income** is more than £200,000* – this is broadly your total taxable income from all sources, excluding employee pension contributions. However, if your pension contributions are paid by Salary Sacrifice, you must include these in your threshold income calculation.
2. Your **adjusted income** is more than £240,000* – this is broadly your total taxable income from all sources, plus the annual value of benefits built up in a defined benefit (DB) pension and all employer and employee contributions to a defined contribution (DC) plan during the tax year.
3. If your threshold income is more than £200,000 and your adjusted income is more than £240,000, your AA will reduce by £1 for every £2 of adjusted income over £240,000, down to a minimum of £4,000 for those with adjusted income of £312,000 or more.

* Threshold and adjusted income were lower up until 2019-2020.

At a glance

- The more you earn, the lower your AA may be.
- **Adjusted income** broadly includes all pension contributions (including employer contributions), while **threshold income** excludes pension contributions.
- The AA is reduced for individuals who have adjusted income over £240,000 a year.
- The AA reduces by £1 for every £2 over £240,000. The maximum reduction is £36,000, this happens when adjusted income is £312,000 or more.
- The reduction does not apply to individuals whose threshold income is £200,000 or lower.

The information in this document is a high level overview. The rules for the tapered AA are complex. More information is available at www.gov.uk/tax-on-your-private-pension

Money Purchase Annual Allowance

If you have previously drawn – or you are currently drawing – an income from any of your DC pension savings under the flexible benefit options introduced in April 2015, your AA will be reduced to £4,000 for future DC contributions. This is referred to as the Money Purchase Annual Allowance (MPAA). If you are subject to the MPAA, you are not able to carry forward unused AA from previous years to offset any excess pension savings.

What happens if you exceed the AA?

If you exceed the AA (and you have insufficient unused AA from previous tax years to offset the excess) the excess will be added to your taxable income for the year and will be taxed as if it were additional income (for many impacted this will be a 45% tax charge, but it could be lower).

The Lifetime Allowance (LTA)

This is the maximum value of total retirement benefits you can build up in a UK tax-approved pension arrangement without paying additional tax at retirement.

The standard LTA is £1.0731 million for the 2022/23 tax year and will remain at this level until the 2025/26 tax year.

What happens if you exceed the LTA?

Any retirement benefits taken in excess of your LTA will be subject to the LTA tax charge. In most circumstances your pension scheme will pay any LTA charge on your behalf and reduce your pension benefits to reflect this.

The value of benefits taken in excess of the LTA will be subject to a tax charge of:

- 55% if taken as a lump sum, and
- 25% if taken as additional pension (with the pension then taxed as income as it is drawn).

If the value of your benefits in all your UK registered pension schemes were valued by HMRC at more than £1 million on 5 April 2016, you may be able to apply for Individual Protection 2016. You would have an individual LTA based on the value of your retirement benefits on 5 April 2016 (subject to a maximum of £1.25 million). Individual Protection 2016 allows you to build up further retirement benefits. Other forms of protection were also previously made available in the past. Any retirement benefits taken in excess of your individual LTA will be subject to the LTA tax charge. **You are responsible for applying for this protection.**



Check if you're affected

Check you're within the Annual Allowance

To get a sense of the value of your pension benefits to test against the AA, think about:

Your DB arrangements
(E.g. the DB Section of the Fund)

16 x

the increase in your accrued pension (after the starting value is increased by the Consumer Price Index (CPI)).

You can find your accrued pension figure for last tax year under the 'Your Annual Allowance figure for 2021/2022' section of your annual benefit statement.

Your DC arrangements
(E.g. the DC Section of the Fund, plus Bonus Choice and any Additional Voluntary Contributions (AVCs))

The gross amount of employee and employer contributions paid in the tax year.

You can confirm this figure on your Fidelity account via PlanViewer.

External pension arrangements
(E.g. a personal pension)

The gross contributions paid in the tax year (taking into account that the amount paid is net of basic rate tax).





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Check you're within the Lifetime Allowance

To get a sense of the value of your retirement benefits against the LTA, think about:

Your DB arrangements

20 x

estimated annual pension after tax-free cash sum

+

tax-free cash sum

Your DC arrangements

The total value of your DC funds

You can find the percentage value of your Fund retirement benefits relative to the current LTA in your most recent benefit statement. Remember to include any retirement benefits you may have in other pension schemes (excluding the State Pension).





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Suspending your Fund membership and receive a Pension Allowance for 12 months

You have the option to suspend your Fund membership for 12 months and receive a Pension Allowance (an enhanced salary), which may be helpful if you need to manage exceeding your AA and/or LTA. You will receive 14% of your Basic Contribution Salary instead. Suspending membership may be useful if you:

- Have used up your AA this year and the previous three tax years and don't want to pay tax on your future contributions.
- Have reached the LTA when you add all your pension savings together and don't want to pay tax on your excess.

There is no requirement to suspend your Fund membership. It is your choice. But if you do continue to save into your pension and you have exceeded the AA and LTA limits, you will incur additional tax charges, see [pages 4 and 5](#).

How to suspend your Fund membership

If you'd like to suspend your Fund membership for 12 months from April 2023, remember:

- You can only suspend your membership for fixed periods of 12 months. The next period will start on April 2023.
- The benefits you would receive if you die in service or retire due to ill health while suspending your Fund membership will not be affected.
- You will receive 14% of your Basic Contribution Salary as alternative compensation for 12 months.
- If you are a member of the DB Section, the pension you would receive will not be less than the pension you would have received from the Fund if you left the Fund permanently.

If you'd like to suspend your Fund membership, please complete the Suspension of Fund membership form and email it to emily.mcclemont@roche.com by **1 March 2023**.



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Getting advice

By law, neither the Fund nor anyone connected with it can provide you with financial advice. This is a personal tax matter and neither Roche nor the Fund Trustee can provide you with advice.

Money Helper

If you think you need advice, please speak to an impartial financial adviser. You may have to pay for the services of the adviser. You can find more information on the Money Helper website by visiting www.moneyhelper.org.uk or call **0800 138 7777**.

Pension tax information

You can also find more information at www.gov.uk/tax-on-your-private-pension

Pension Tracing Service


If you have lost track of other pensions you may have, the Pension Tracing Service may be able to help. Find out more at www.gov.uk/find-lost-pension

General enquiries


If you have general questions about your Fund membership you can contact us in the usual way:


If you are a member of the DB Section of the Fund, contact Willis Towers Watson:

 rochepensions@willistowerswatson.com

 **01707 607 608**

If you are a member of the DC Section of the Fund, contact Fidelity International:

 www.planviewer.co.uk
(you'll need your login details and password)

 **0800 3 68 68 68** or **+44 1737 838 585**
from outside the UK (8.00am to 6.00pm from Monday to Friday)

 pensions.service@fil.com