

# **X FIRE AND RESCUE AUTHORITY**

## **FIREFIGHTERS' PENSION SCHEMES**

### **Finance Act 2004 Lifetime Allowance**

#### **Declaration of benefits from all sources**

If the total amount of benefits due to a person from all registered pension schemes exceeds a "Lifetime Allowance" set by HM Revenue and Customs, tax charges may apply. Because if this, before the Fire and Rescue Authority can assess your entitlement to benefits under the Firefighters' Pension Scheme, they need you to declare your entitlement to other benefits. These notes accompany a Declaration Form and explain the information required.

April 2006

## EXPLANATION OF FORM

*The reference to "due date" in these notes and the Declaration Form means the date on which your benefits, in respect of which the Form has been issued, are due to come into payment.*

### What is a "Lifetime Allowance"?

HM Revenue and Customs ("HMRC") make tax rules with which registered pension schemes must comply. The Firefighters' Pension Schemes 1992 and 2006 are registered pension schemes. This gives Scheme members certain tax concessions. For example, the contributions you pay to the Schemes normally attract tax relief. Also, apart from any Pay As You Earn ("PAYE") income tax that you may be required to pay on instalments of pension, the benefits provided by the Firefighters' Pension Schemes are not normally taxed provided that the total benefits you receive from any registered pension schemes do not exceed a "Lifetime Allowance" set by HMRC. If the value of total benefits does exceed the Lifetime Allowance, the excess will be subject to tax charges. This principle of testing the value of benefits against a Lifetime Allowance was introduced on 6 April 2006 and the Allowance for the following 5 tax years is:

2006/2007	£1.5 million
2007/2008	£1.6 million
2008/2009	£1.65 million
2009/2010	£1.75 million
2010/2011	£1.8 million

As you can see, these are substantial sums. If, on retirement, your pension would be based on 40/60ths of pensionable pay in either of the Firefighters' Pension Schemes and you have no other pension entitlement, then it is probable that the value of your benefits would exceed the Allowance only if your pensionable pay is £112,500 or more.

### Why do I have to declare other benefits?

The Fire and Rescue Authority will be able to value and test your Firefighters' Pension Scheme benefits which are now due come into payment but, because HMRC rules require account to be taken of all benefits under the Scheme plus benefits under any other pension schemes which are in payment at the due date, it is necessary for you to declare those other benefits. The Authority can then assess whether or not all the benefits at the due date will exceed the Lifetime Allowance and, if they do, apply tax charges to the pension and/or lump sum to which you are now entitled under the Scheme.

### How can I find out the value of other benefits?

After 5 April 2006, whenever benefits come into payment under a registered pension scheme, you will receive a statement from that pension scheme's administrators showing how much of your Lifetime Allowance you have used up. This can be copied to other pension administrators when they ask for information – as in this Form. Because the tax rule was not introduced until 6 April 2006 a statement would not have been issued with benefits paid before this date. Account must be taken of earlier benefits, however, and so you may have to contact the pension administrators of those schemes for a valuation of those benefits for Lifetime Allowance purposes.

When your pending Firefighters' Pension Scheme pension is paid the Fire and Rescue Authority will provide you with a statement of the effect on your Lifetime Allowance. You will be able to show this to other pension administrators if you become entitled to additional benefits after the due date.



