

FOCUS ON

# Restricted pensions annual allowance for GP's earning over £150,000 (£110,000)

- The concept of "Threshold income" is broadly the same as net taxable income and if this is less than £110k then no further calculations are required and the full £40,000 of pensions annual allowance is available for the year.
- If Threshold income is over £110k then the pensions growth must be added to see if the total exceeds £150k
- The pensions growth figure can be calculated, or obtained from the NHS Pensions Agency after they have received your superannuable income figures for the year in question.
- If the total (Adjusted income) exceeds £150k then £1 of annual allowance is lost for every £2 over £150k the figure is, up to a maximum of £30k. This means that the pensions allowance can be as low as £10k as a minimum.
- Per the example below, the Adjusted income is £172,940 and so £11,470 of allowance is lost from the initial £40,000 allowance.
- Because the Annual Allowance for the NHS pension is not the same as the contributions made in the year, it is only when pension growth is known that the full calculations can be performed

<b>Threshold income</b> (if < £110k then no further calculations)	£125,440
Add: Growth in pension for AA purposes (Calculated) say...	£47,500
<b>Adjusted income</b>	£172,940

Annual allowance for the year = £40,000 less 50% x (172,940 – 150,000) = £28,530

AA pension excess chargeable to tax (if no carry forward from earlier years) = £47,500 - £28,530 = £18,970

Tax on excess = 40% x £18,970 = £7,588 (scheme pays may be available)

This is an indicative example based on what many GPs may face.

There are a huge number of variables which affect these figures, including the September CPI figures which will have an impact on the pensions growth figures each year.

If you would like to find out more then please contact a member of our Healthcare Team.

## Taxable Income

Partnership profit share (say £120k of which is NHS superannuable)	£140,000
Add: Other income (rental profits, bank interest...)	£20,000
Less: NHS superannuation contributions (Er 14.3% and Ee 14.5% on £120k)	(£34,560)



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