

Tax August 9 2019

# Doctors will not be compensated for tax breaches



By **Maria Espadinha**

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**T**he government has denied any type of compensation for senior clinicians who breached their annual allowance limit.



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In a written answer to former pensions minister Baroness Ros Altmann, Baroness Blackwood of North Oxford, parliamentary under-secretary at the department of Health and Social Care, said there were no plans to compensate senior NHS staff who exceeded their tax-

She noted, however, that members of the NHS Pension Scheme facing a tax bill could use the scheme pays facility to settle their bills.

Recent rule changes mean scheme pays allows savers to settle annual allowance tax charges of more than £2,000 through the pension fund without needing to find funds upfront.

Individuals who pay their tax charge through their pension will see their benefits adjusted at retirement, and will pay interest.

For payments until March 31, 2019, the scheme applies an interest of 2.8 per cent in excess of inflation, which has decreased to 2.4 per cent, plus consumer price index, from April onwards.

Baroness Blackwood also stressed that for the majority of people, their pension contributions were tax-free, which she said made this tax relief “one of the most expensive reliefs in the personal tax system”.

She added: “The reforms to the lifetime and annual allowance made in the previous two parliaments are expected to save over £6bn per year and are necessary to deliver a fair system and protect public finances.

“Less than 1 per cent of pension savers will have to reduce their saving or face an annual allowance charge as a result of the tapered annual allowance.”

It emerged in December that the number of members leaving the NHS Pension Scheme was five times higher than that seen by other public pension funds, most likely because of the taper on the annual allowance.

Introduced in 2016, the tapered annual allowance gradually reduces the allowance for those on high incomes, meaning they are more likely to suffer an annual tax charge on contributions and a lifetime allowance tax charge on their benefits.

The taper means that for every £2 of adjusted income above £150,000 a year, £1 of annual allowance will be lost.

*FTAdviser* reported on Wednesday (August 7) that HM Treasury will be reviewing the impact of the tapered annual allowance, after doctors have been campaigning to scrap it for months.

This was as part of a further consultation on the rules of the NHS Pension Scheme, which will soon be published and replace the document published two weeks ago.

Baroness Altmann, who is supporting a scrap of the tapered annual allowance, said it was a classic example of bad policy design.

She said: “The rules are far too complicated, impossible to predict properly and have damaging side-effects which undermine the aims of the policy itself - as well as having harmful disincentives in other policy areas too.”

She noted that tax relief is meant to incentivise pensions, and that the tapered annual allowance doesn't fulfil that objective, as it “drives staff to cut their contributions, and add another layer of penalties and complexities”.