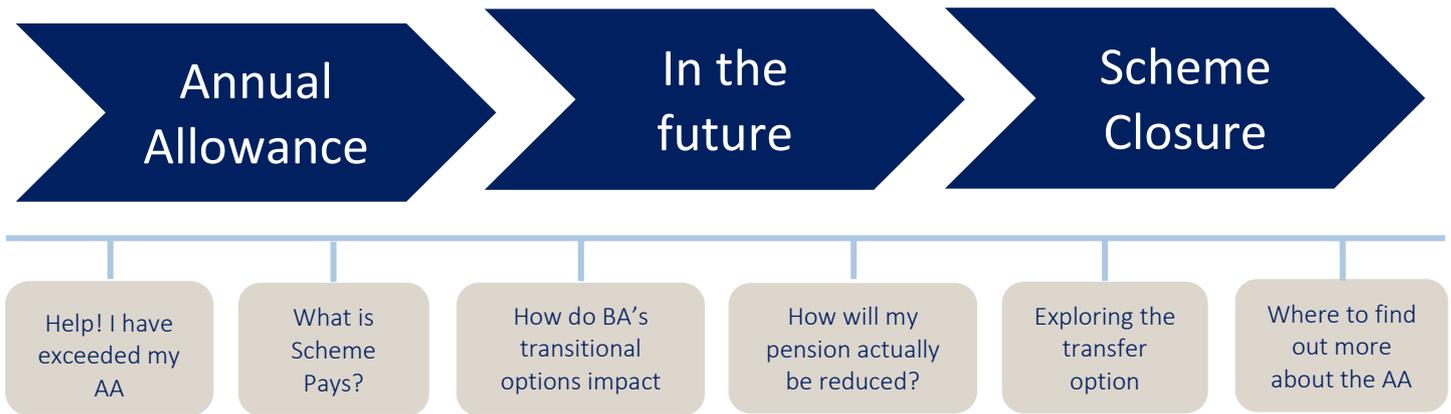


Scheme Pays guidance note



Click on the boxes above to find out more.

Annual Allowance

Help! I have exceeded my AA

BA Pensions will send you a statement in the summer if you exceed the standard AA in the tax year which ended on 5 April. The statement explains how to work out whether an AA tax charge applies to you. You can also refer to the [Annual Allowance \(AA\) page](#) of our website.

High earners!- If you have earnings over £100,000 a year you should check whether the lower, Tapered Annual Allowance applies to you. The [Tapered AA page](#) of our website includes detailed guidance on how to work out whether you are affected by the Tapered AA. BA Pensions cannot check this for you.

Remember you can carry forward unused AA from the previous three tax years to cover any AA tax charge (Note – tax year 2015/16 was split into two 'mini' tax years for annual allowance purposes. Only unused AA from the second mini tax year – from 9 July 2015 to 5 April 2016 – can be carried forward). You must check this for yourself, or ideally with a financial adviser. BA Pensions cannot check this for you.

If you do not have sufficient carry forward you can use the Scheme Pays option to pay your AA tax charge or, alternatively, you can pay the tax directly to HMRC.

Scheme Pays

What is Scheme Pays?

You can ask the Trustee to pay an Annual Allowance (AA) charge for you, relating to your NAPS benefits. The Trustee will pay the charge on your behalf in return for a reduction in your NAPS pension or AVCs. You can make this agreement using the online [Scheme Pays pack](#). If you are currently saving to the British Airways Pension Plan (BAPP), you can ask the BAPP Trustee to pay some or all of your AA charge for you as well. Aviva also offers mandatory and voluntary Scheme pays options. If you'd like to pay some or all of your AA tax charge from your BAPP account (or your Aviva General Investment Account (GIA) if you have one), please call Aviva Life & Pensions on 0345 030 7964 - the helpline is open Monday-Friday 8 am-5:30 pm. Please have your Aviva Plan number or National Insurance number to hand. Alternatively, you can email Aviva at ba.mymoney@aviva.com

Can I use NAPS Scheme Pays?

To use the 'mandatory' Scheme Pays option in respect of your NAPS benefits, your total AA tax charge must be £2,000 or more and your NAPS benefits plus AVCs must have exceeded the standard £40,000 AA or, for high earners, the lower, individual [Tapered AA](#) if this applies. The value to compare to your AA is measured as the growth in your NAPS pension above CPI during the tax year, multiplied by a factor of 16, plus any NAPS AVCs you have saved during the year.

How does NAPS Scheme Pays Work?

You can choose to have your AA tax charge deducted immediately from your AVCs if you have saved these, or from your NAPS deferred pension. NAPS provides two types of arrangement – a ‘mandatory’ Scheme Pays arrangement and a ‘voluntary’ Scheme Pays arrangement. You can read more about the different options on the [‘Paying an AA page’](#) of our website.

How does BAPP Scheme Pays work?

Aviva also offers mandatory and voluntary Scheme pays options. If you’d like to pay some or all of your AA tax charge from your BAPP account (or your Aviva General Investment Account (GIA) if you have one), please call Aviva Life & Pensions on 0345 030 7964 - the helpline is open Monday-Friday 8 am-5:30 pm. Please have your Aviva Plan number or National Insurance number to hand. Alternatively, you can email Aviva at ba.mymoney@aviva.com

Where can I get an estimate of the likely cost of Scheme Pays on my NAPS deferred pension?

If you choose to have any tax charge paid from your NAPS deferred pension, the amount of the charge will be divided by the relevant cash equivalent transfer factor to convert it to a pension amount which will be deducted from your deferred pension. The factors depend on your age and sex and vary each month. You may find the examples listed below useful as a general guide.

Scheme Pays agreement modeller and e-Form

You can also use our Scheme Pays quotation and agreement e-Form to model the effect of using your NAPS pension or NAPS AVCs to pay any AA tax charge. Simply log into Mybapension online and select the Scheme Pays option under "Your e-Forms".

Age at Closure	Plan	Reduction to annual pension (per £10,000)
50*	Plan 60	£424.17
55	Plan 60	£382.49
60	Plan 60	£345.45
50	Plan 65	£537.76
55	Plan 65	£487.48
60	Plan 65	£440.93
65	Plan 65	£400.17

*For example, if you are a male NAPS Plan 60 member, aged 50 now, each £10,000 of AA tax charge would result in your pension being reduced by approximately £424.17 a year.

BA’s NAPS closure transitional options and their effect on your AA

How do BA’s transitional options impact me?

When NAPS closed to future pension build up on 1 April 2018, several transitional options were offered to existing NAPS members by British Airways. Each option will have a different effect on your AA so let’s discuss each of them in turn to see how you might be impacted.

Key point - When NAPS closed on 31 March 2018, you became entitled to a deferred pension which will increase each year in line with the Consumer Price Index (CPI), up to a maximum increase of 5% in any year. Deferred pensions which increase by reference to the CPI do not need to be assessed for AA purposes. The exception to this is if you chose the promotional/incremental pay link transitional option. This is explained further below.

Lump-sum payment paid into your NAPS AVC account

If you took a transitional lump sum payment by BA and chose to have this paid into your NAPS AVC account, the payment was made by BA through your March 2018 pay and was counted towards your 2017/18 AA assessment. If you have an AA tax charge relating to the 2017/18 tax year you must have set up a Scheme Pays agreement before 31 July 2019 if you wished the NAPS Trustee to pay your tax charge for you.

One extra year of pensionable service in NAPS

The extra year of pensionable service in NAPS (pro-rated for part-time employees) was applied on 31 March 2018 and counted towards your 2017/18 AA assessment.

If you have an AA tax charge relating to the 2017/18 tax year, you must have set up a Scheme Pays agreement before 31 July 2019 if you wanted the NAPS Trustee to pay your tax charge for you.

Three-year incremental and promotional salary link

If you chose this option, under HMRC rules, the increase in the value of your NAPS deferred pension above CPI must be included in your AA assessments for each tax year in which a promotional/incremental pensionable pay increase is applied by BA. BA Pensions will issue an AA statement each summer while this option applies whether you have exceeded the standard AA or not.

The assessment will show the value of your NAPS benefits to compare against your AA and will include any savings you have made to the British Airways Pension Plan (BAPP). This is calculated as the increase in your NAPS pension above CPI during the tax year, multiplied by a factor of 16, plus any savings made to BAPP. You will need to add the value of any other pension savings you may have outside of BA.

For SFOs passing their Command course at the first attempt, we understand that promotional pensionable pay increases will not be sent to BA Pensions until Command is achieved and could be backdated depending on when Command is achieved. The increase in your pension must be assessed against your AA at the end of the tax year in which Command is achieved and then for each subsequent year that a qualifying pay increase applies. This will be the case for as long as the promotional/incremental pay option applies. As pensions are calculated using retiring pay, the average of the two highest years of pensionable pay in the prior five years, the impact on your AA will depend on when you achieve Command. Please refer to our separate guidance note for further details.

If your NAPS benefits exceed your AA due to electing the promotional/incremental pay transitional option and you incur an AA tax charge, you will still be able to use the NAPS Scheme Pays facilities to pay the part of the charge relating to your NAPS benefits - from your AVCs, or immediately from your deferred pension. You can also use the BAPP Scheme Pays facilities by contacting Aviva. See the 'What is Scheme pays?' section on page 1 for details of how to contact Aviva.

Scheme Pays agreement modeller and e-Form

You can use our Scheme Pays quotation and agreement e-Form to model the effect of using your NAPS pension or NAPS AVCs to pay any AA tax charge. Simply log into Mybapension online and select the Scheme Pays option under "Your e-Forms".

Which part of my NAPS pension is reduced?

The NAPS pension for the Plan you were in on the date your pensionable service ended (the date the Scheme closed), is reduced first. Should there be insufficient pension to cover the reduction the Plan immediately prior to your last Plan will also be used. For example, if you were building up pension in Plan 65 at the scheme closure date, the Scheme Pays pension reduction will be worked out using factors relevant to your Plan 65 normal retirement age (age 65) and deducted from your earned Plan 65 pension. If your Plan 65 pension is used up and you built up benefits in Plan 60 immediately before joining Plan 65, any remaining Scheme Pays reduction will be worked out using factors relevant to your Plan 60 normal retirement age (age 60) and deducted from your earned Plan 60 pension.

Exploring the Transfer option - What if I am transferring my benefits?

If you decide to transfer your NAPS pension to another approved pension arrangement, the transfer value is still within its guarantee date and you enter into a Scheme Pays agreement before the transfer is completed, the Scheme Pays amount will be deducted from your cash equivalent transfer value at face value and the amount net of the deduction paid to the receiving scheme.

Scheme Pays Deadlines

When should I enter into a Scheme Pays agreement with the NAPS Trustee?

If you wish to use the NAPS Scheme Pays facility, you must enter into an agreement with the NAPS Trustee before you start to receive your pension benefits. A 'mandatory' agreement can be made up to 31 July in the year after the tax year to which your AA tax charge relates. For example, an AA tax charge relating to the tax year which ended 5 April 2019 must be made by 31 July 2020. A 'voluntary' agreement must be made before 31 December after the end of the AA year to which the charge relates, i.e. by 31 December 2019 if the charge relates to the 2018/19 AA year.

What is the difference between mandatory and voluntary Scheme Pays?

Under the mandatory Scheme Pays agreement, the individual and the Scheme Trustee are jointly responsible for paying the AA charge.

Unlike the mandatory Scheme Pays arrangement, payment of your AA tax charge under a voluntary Scheme Pays arrangement remains your sole responsibility. Any delay in the payment of your AA tax charge payment beyond your self-assessment tax return deadline will incur late payment interest and charges. NAPS takes no responsibility and assumes no liability for any such interest or charges, nor can they be settled by the Scheme as part of a Voluntary Scheme Pays arrangement.

You may find the following chart helpful:

Scheme Pays timelines

- Your pension input within the 2018/19 Pension Input Period exceeded your available AA by £15,000.
- Your AA Statement was issued in Summer 2019 and you assess that you exceeded the standard AA.
- You calculated you had no 'carry forward' and the AA tax charge due was 40% of the excess i.e. £6,000.
- You completed an online HMRC tax return in December 2019 confirming you wished to pay the £6,000 using Scheme Pays.
- You entered into an irrevocable Scheme Pays agreement, received by BA Pensions on 19 March 2020. The Trustee made the payment to HMRC in its next quarterly Scheme tax return (in this example, the quarter ending 31 March 2020).
- BA Pensions calculates the pension reduction and reduces your deferred pension immediately.

Annual Allowance (Pension Saving) Statements are published within the securer section of www.mybapension.com

You MUST 'tick' the Scheme Pays box within your HMRC submission (or enter the amount of tax charge your pension scheme is paying for you in your paper tax return), otherwise HMRC will assume that you will pay the AA tax charge immediately from your own funds

The factors used to convert a Scheme Pays debt into a pension reduction are provided by the Scheme's Actuary

Pension Reduction =
 $£6,000 \times \text{Scheme Pays CETV conversion factor} \times \text{Market Value Adjustment.}$

What to declare on your self-assessment tax return

You must declare on your self-assessment tax return that the Scheme is paying the charge on your behalf. Once you have entered into a Scheme Pays agreement with the Trustee, you cannot change your mind. You can download a [Scheme Pays information pack](#) from the [Forms](#) page. You can find out more about how the Scheme Pays option works in the [Scheme Pays Operating Rules](#).

Where to find more information about the AA

You can find detailed information about how to work out your AA, what value to compare against your AA and the AA tax charge on the [Annual Allowance \(AA\) page](#) of our website www.mybapension.com.

HMRC provides online calculators to help you with your AA assessments. Visit www.tax.service.gov.uk/paac. Detailed definitions are available on HMRC's website at www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm057100#Income

You can also find guidance about the tapered AA on HMRC's website at www.gov.uk/guidance/pension-schemes-work-out-your-tapered-annual-allowance