

Annual Allowance (AA) tax charge 'Scheme Pays' pack

Annual Allowance (AA) tax charge – payment options

You do not need to tell BA Pensions if you pay your AA tax charge directly to HM Revenue & Customs (HMRC).

If you would like your Scheme's Trustee to pay the AA tax charge on your behalf, and you have registered for online pension communications, you can simply complete the online 'Scheme Pays quotation & agreement' form and submit it directly to the BA Pensions team. Alternatively, please complete and return the Scheme Pays agreement below and post it to us.

APS provides two types of Scheme Pays arrangement:

Our 'mandatory' Scheme Pays arrangement

You have a legal right to use the mandatory Scheme Pays arrangement if all of the following conditions are met:

- Your pension savings in APS must have exceeded the 'standard' annual allowance for the relevant tax year (i.e. the money purchase annual allowance and tapered annual allowance are not taken into account).
- Your total AA tax charge for the relevant tax year, in respect of all registered pension schemes you belong to, is more than £2,000.
- We receive your signed Scheme Pays agreement by the mandatory Scheme Pays deadline.
- You have not already drawn all of your pension benefits from the Scheme.

For further details regarding this arrangement, please refer to the ['Paying an AA charge'](#) page on our website.

To use the mandatory Scheme Pays facility you must enter into an agreement with the Trustee **before 31 July** in the year after the AA year to which the charge relates, i.e. by 31 July 2024 if the charge relates to the 2022/23 AA year, and before you start to receive all of your pension benefits from APS.

Don't forget to declare on your self-assessment tax return that the Scheme is paying the charge on your behalf.

Our 'voluntary' Scheme Pays arrangement

If you do not meet all of the conditions for mandatory Scheme Pays, (for example, you are subject to, and have exceeded, the tapered AA but not the standard AA, or your total AA tax charge is less than £2,000) you can ask the Trustee to pay the part of your tax charge relating to your APS benefits under a voluntary Scheme Pays arrangement.

To use the voluntary Scheme Pays facility you must enter into an agreement with the Trustee **before 31 December** after the end of the AA year to which the charge relates, i.e. by 31 December 2023 if the charge relates to the 2022/23 AA year and before you start to receive all of your pension benefits from APS.

You must declare on your self-assessment tax return that the Scheme is paying the charge on your behalf.

Paying an AA tax charge using existing AVC funds

If you have sufficient AVC funds within the BA AVC plan, you can instruct your Scheme's Trustee to pay your AA tax charge amount to HMRC from your existing AVC funds. Your AVC funds will be reduced at the date you enter into an irrevocable agreement with the Trustee (if your signed agreement is received before the 20th of the month, your AVC funds will be reduced on the 1st of the following month). You can choose which AVC fund(s) the charge should be paid from - the Short-dated Gilts Fund (SGF), the Mixed Portfolio Fund (MPF) or the Equity-biased Fund (EBF).

If you do not make a specific election your AA tax charge amount will be automatically deducted proportionately across all of your AVC funds. If you do not have sufficient AVC funds to meet the whole AA tax charge, you can use them to meet part of the charge.

If you have an AVC account you can log onto [Mybapension online](#) to see your latest AVC statement or you can select the 'Smart Additional Voluntary Contributions' form within "Your e-Forms". Your latest available AVC balance information is displayed within the form.

Paying an AA tax charge by reducing your Scheme benefits

You should be aware that:

- The loan will be actuarially converted into a pension amount and deducted from the pension you have built up. The pension reduction amount will be worked out using current factors which change each month in line with movements in market conditions.
- The actuarial factors used in our calculations are reviewed following every triennial (three-year) actuarial valuation.
- The factors used to work out the pension reduction will be those that apply on the effective date of the agreement.

You may find the examples listed below useful as a general guide.

Age at Effective Date	Male / female	Yearly pension reduction (per £10,000) Flying Staff (NRA 55)	Yearly pension reduction (per £10,000) Ground Staff (NRA 60)
50*	Male	£255.68	£331.25
50	Female	£268.39	£353.62
55	Male	£228.99	£297.73
55	Female	£240.14	£317.62
60	Male	-	£267.00
60	Female	-	£284.16

*For example, if you are a male APS Ground Staff member, aged 50 when you enter in to the agreement, each £10,000 of AA tax charge would result in your pension being reduced by approximately £331.35 a year. Remember, these examples are for general guidance only as the actual pension reduction will vary according to your own circumstances.

What do I do now?

If you would like to proceed with using the Scheme Pays facility, please complete and return the Scheme Pays agreement below. We will acknowledge receipt of your form, usually within three weeks, and confirm the arrangements we have made to pay the AA tax charge due on your behalf. Please check that you have received this acknowledgement as we are unable to accept any forms received after the deadline below, even if you provide proof of postage.

For AA tax charges in respect of the year ending 5 April 2023:

- a voluntary Scheme Pays agreement must be arranged with the Trustee **before 31 December 2023**, or
- a mandatory Scheme Pays agreement must be arranged with the Trustee **by 31 July 2024**

in all cases an agreement must be arranged before you draw your pension benefits.

You are responsible for informing HMRC that you have entered into a Scheme Pays agreement by completing form SA101 – see Note 7 in the attached Scheme Pays Agreement Notes.



Once you have entered into a Scheme Pays agreement, the agreement cannot be changed or cancelled. You should consider taking independent financial advice before making a decision.

If you have any queries regarding the Scheme Pays option or this form, please do not hesitate to contact the Pensions Team.

British Airways Pensions

PO Box 2074 | Liverpool | L69 2YL | Telephone: 020 8538 2100 | Fax: 020 8538 2190 |
Email: Contact us via our website: www.mybapension.com/aps/contact-us

Scheme Pays Agreement

This is an irrevocable agreement requesting the Airways Pension Scheme (APS) Trustee, to pay an Annual Allowance (AA) tax charge on your behalf in exchange for an adjustment to your pension benefits. We have provided some 'Scheme Pays Agreement notes' below to help you with completing this form.

Personal details

Title:	<input style="width: 90%;" type="text"/>	Full name:	<input style="width: 98%;" type="text"/>										
Staff no:	<input style="width: 100%;" type="text"/>												
NINO:	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <tr> <td style="width: 30px; height: 20px;"><input type="text"/></td> <td style="width: 30px; height: 20px;"><input type="text"/></td> <td style="width: 30px; height: 20px;"><input type="text"/></td> <td style="width: 30px; height: 20px;"><input type="text"/></td> <td style="width: 30px; height: 20px;"><input type="text"/></td> <td style="width: 30px; height: 20px;"><input type="text"/></td> <td style="width: 30px; height: 20px;"><input type="text"/></td> <td style="width: 30px; height: 20px;"><input type="text"/></td> <td style="width: 30px; height: 20px;"><input type="text"/></td> <td style="width: 30px; height: 20px;"><input type="text"/></td> </tr> </table>			<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
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Address:	<input style="width: 100%; height: 40px;" type="text"/>												

Instruction

I hereby instruct the Trustee to pay the following AA tax charge on my behalf in return for my pension benefits being reduced as set out below ^(NOTE 1)

Pension input period to which the AA tax charge relates ^(NOTE 5)

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
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 to

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
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Mandatory Scheme Pays arrangement *(my AA tax charge exceeds £2,000, deadline 31 July 2024)*

Voluntary Scheme Pays arrangement *(my AA tax charge is less than £2,000, deadline 31 December 2023)*

The amount of AA tax charge the Trustee is to pay is £ _____ ^(NOTE 2)

This AA tax charge is based on: actual figures/estimated figures ^(NOTE 6)
(Please delete whichever does not apply).

Preferred Option

There are two options available as to how pension benefits can be reduced in return for the Trustee paying your AA tax charge on your behalf. ^(NOTE 3)

Please indicate your preferred option by entering the amount of your AA tax charge in the relevant boxes.

1. Reduction in AVCs ()

I confirm that I wish to use the maximum available amount of my AVC funds to pay my AA tax charge ^(NOTE 3)

Full AA tax charge met from existing AVC funds
 I wish to pay the **whole** AA tax charge from my existing AVC funds (please enter the amount you wish to be deducted from each fund – we have included your current AVC fund balances to help you):

EBF	Please deduct £	<input style="width: 95%;" type="text"/>
MPF	Please deduct £	<input style="width: 95%;" type="text"/>
SGF	Please deduct £	<input style="width: 95%;" type="text"/>

OR

AA tax charge partly met from existing AVC funds
 Please reduce my AVC funds as follows in respect of **part** of my AA tax charge:

EBF	Please deduct £	<input style="width: 95%;" type="text"/>
MPF	Please deduct £	<input style="width: 95%;" type="text"/>
SGF	Please deduct £	<input style="width: 95%;" type="text"/>

2. Reduction in pension

Please reduce my pension in return for paying the following amount of AA tax charge (we will confirm the pension reduction amount, in writing, within 6 weeks of receiving this form).

AA tax charge amount: £ _____

Once you have elected to reduce your pension you cannot change your mind or pay by any other method, such as from your AVC fund.

Declaration

I confirm that:

- I understand that once I enter into this agreement it cannot be withdrawn.
- Any estimated AA tax charges have been calculated using the correct tax rates or my best estimate of the appropriate rates ^(NOTE 4)
- I understand that my benefits will be adjusted in accordance with the Scheme Pays operating rules. ^(NOTE 1)

Signed: _____ Dated: _____

British Airways Pensions

PO Box 2074 | Liverpool | L69 2YL | Telephone: 020 8538 2100 | Fax: 020 8538 2190 |
Email: Contact us via our website: www.mybapension.com/aps/contact-us



SCHEME PAYS AGREEMENT NOTES

1. The terms for the Trustee paying an AA tax charge on your behalf are contained in the Scheme Pays operating rules. A copy of this document is available on the [Scheme Documents](#) page of our website.
2. To instruct the Trustee to pay the charge you must have a pension input amount either in excess of the standard AA of £40,000, or your individual tapered AA, in APS and your total AA tax charge must be at least £2,000 if you are planning to pay the tax charge via mandatory Scheme Pays (your AA tax charge can be lower than £2,000 if you are planning to use the voluntary Scheme Pays arrangement). You are only able to instruct the Trustee to pay an AA tax charge on your behalf which relates to benefits built up in APS.
3. You have the option to meet the debt incurred by the AA tax charge immediately by reducing your AVC funds by the same amount as the charge. You can choose to meet all or part of the debt in this way.

If you do not have sufficient AVC funds you can choose to meet part of the debt from your AVC funds and the remaining debt by reducing your APS pension. We will not know what your actual AVC fund balance will be at the time the debt will be incurred. Rather than enter an amount in the 'AA tax charge partly met from existing AVC funds' section you may wish to instruct us to maximise the payment from your AVCs by ticking this box. If you tick this box, any remaining AA tax charge amount will automatically be met by reducing your pension.

4. If you choose the reduction in pension option, the debt will be actuarially converted into a pension amount (using the factors that apply at the effective date of the agreement) which will be deducted from the pension you have built up immediately.
5. The figures within the instruction are in relation to a pension input period that runs from 6 April to 5 April.
6. In normal circumstances it is expected that you will be providing actual AA tax charge figures. You must have entered into an agreement with the Trustee to pay the AA tax charge on your behalf before you start to draw all of your benefits. If you expect that you will need to pay an AA tax charge in respect of the year in which you commence payment of your benefits, you can instruct the Trustee to pay the potential AA tax charge based on estimated figures calculated by you.

One of the declarations in the Scheme Pays agreement is that you have used the correct tax rates or your best estimate of the appropriate tax rates.

If you are affected by the tapered AA, it is your responsibility to calculate your AA, and to calculate any AA tax charge that is payable. For more information on how to calculate the tapered AA, please visit: www.gov.uk/guidance/pension-schemes-work-out-your-tapered-annual-allowance

If you subsequently find that the AA tax charge you entered was incorrect, although you cannot withdraw your instruction, you can submit another Scheme Pays agreement and any outstanding balance can then be paid on your behalf. If you have already drawn your whole pension and your pension needs to be reduced to accommodate the additional amount of AA tax charge, your previously higher pension payments together with any lump sum you elected to take at retirement may be deemed an 'unauthorised payment' by HMRC and could be subject to an additional unauthorised payments charge of up to 55%.

You will be able to submit a revised self-assessment tax return within 12 months of submission of the original return. Any tax overpaid by the Scheme will be reclaimed by the Trustee.

7. You must include the AA assessment information within your self-assessment tax return on the SA101 additional information form - even if you have entered into an agreement with the Trustee to pay the AA tax charge on your behalf.

8. You will need to enter the **APS Pension scheme tax reference (PSTR) number** which is **00302323RH** when you complete the Pension Savings Tax Charges section on the SA101 form. We've highlighted this in the screenshot below.

Pension Savings Tax Charges

<p>7 Value of pension benefits in excess of your Available Lifetime Allowance, taken by you as a lump sum</p> <p>£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/></p>	<p>12 Pension scheme tax reference number</p> <p>PSTR 00302323RH</p>
<p>8 Value of pension benefits in excess of your Available Lifetime Allowance, not taken as a lump sum</p> <p>£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/></p>	<p>13 Amount of unauthorised payment from a pension scheme, not subject to surcharge</p> <p>£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/></p>
<p>9 Lifetime Allowance tax paid by your pension scheme</p> <p>£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/></p>	<p>14 Amount of unauthorised payment from a pension scheme, subject to surcharge</p> <p>£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/></p>
<p>10 Amount saved towards your pension, in the period covered by this tax return, in excess of the Annual Allowance</p> <p>£ 0000000000 . <input type="text"/> <input type="text"/> <input type="text"/></p>	<p>15 Foreign tax paid on an unauthorised payment (in £ sterling)</p> <p>£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/></p>
<p>11 Annual Allowance tax paid or payable by your pension scheme</p> <p>£ 0000000000 . <input type="text"/> <input type="text"/> <input type="text"/></p>	<p>16 Taxable short service refund of contributions (overseas pension schemes only)</p> <p>£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/></p> <p style="text-align: center; border: 1px solid black; padding: 2px;">Box 17 is not in use</p>
<p>11.1 Value of pension benefits transferred subject to the overseas transfer charge</p> <p>£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/></p>	<p>18 Foreign tax paid (in £ sterling) on box 16</p> <p>£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/></p>
<p>11.2 Tax paid by your pension scheme on your overseas transfer charge</p> <p>£ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/></p>	

HMRC has also produced Helpsheet 345 which contains detailed information about what information you need to provide with your self-assessment tax return (look up 'HS345' in the search bar on the HMRC website).



9. To read HMRC's information about tax on your pension contributions visit:
<https://www.gov.uk/tax-on-your-private-pension/annual-allowance>