Scheme Pays

Video transcript

Here we're going to have a look at Scheme Pays.

If you go over your Annual Allowance and incur a tax charge, Scheme Pays allows you to use what you've built up in your pension savings to pay the tax charge.

If your tax charge relating to your USS benefits is more than £1,000, you can ask USS to pay the tax bill on your behalf and have your benefits reduced accordingly – this is known as Scheme Pays.

The Scheme Pays process is quite straightforward and for most members is fully payable from your Investment Builder (DC) pot, so your Retirement Income Builder (DB) benefits are unaffected. For those members who have insufficient Investment Builder (DC) savings to cover the charge in full, the charge can be taken from your Retirement Income Builder (DB) benefits.

USS has a tool called the **Scheme Pays Modeller** on the **Calculate your benefits** page on the USS website. The Scheme Pays Modeller will estimate how much of your Retirement Income Builder (DB) benefits may be reduced should you choose for USS to pay your tax charge.

However, there are deadlines that you need to be aware of. So, if you want to use Scheme Pays, the first thing you'll need to do is let USS know. But the deadline is 15 December following the tax year you went over the Annual Allowance and have a tax bill to pay. For the 2025/26 tax year that means completing your Scheme Pays election form by 15 December 2026.

If you have a tax charge for the 2025/26 tax year and want to use Scheme Pays but miss the 15 December deadline, you can still ask USS to pay but they cannot guarantee payment will be made for 31 January, which is the HMRC deadline for most Scheme Pays payments, so if you were to incur any late fees or interest you would be liable for those payments.

If you do ask USS to do Scheme Pays then you need to let HMRC know. You do this by confirming in your Self Assessment tax return that you have used Scheme Pays and the deadline for submitting your online tax return for the 2025/26 tax year is 31 January 2027 (or 31 October 2026 if the return is filed by paper).

For more information on Scheme Pays and to get the form that you'll need to fill in, go to the USS website.

It's really important to note though, that it is your responsibility to meet the deadlines and make the confirmations required to HMRC.