

# Will I have to pay an annual allowance tax charge?

You will be liable to pay a tax charge if the value of your benefits built up across all registered pension schemes over the tax year (known as your “Pension Input Period amount” or “PIP amount”) is greater than your annual allowance. This worksheet can help you to estimate the value of both your PIP amount in respect of your USS benefits and your annual allowance. Please ensure that you have read and understood the important information and disclaimer on page five before using the worksheet.

This worksheet is based on the [official guidance available from HMRC](#). You are strongly advised to consider the official guidance to ascertain if there are any other factors not detailed in this factsheet that you may need to consider when assessing your threshold and adjusted income.

## How to estimate your PIP amount

### For tax years prior to 2018/19:

Your PIP amount in respect of your USS benefits is shown on your annual member statement for the relevant year. Copies of previous years’ statements are available on the documents section of [My USS](#), or alternatively, to request a PIP amount quotation from a previous year, please contact the USS Pensions Technical Team on 0151 556 0626.

### For the 2018/19 tax year:

You can find an estimate of your PIP amount and tapered annual allowance by using the [annual allowance modeller](#). Alternatively you can use the worksheet on the following pages. Please note in both cases the PIP amount estimated will be in respect of USS benefits only and will not include benefits you may have accrued in other registered pension schemes.

### For the 2019/20 tax year:

Due to proposed increases to the contribution rates as part of the cost sharing process, PIP amount estimates for the 2019/20 year are currently unavailable. This worksheet and the annual allowance modeller will be updated following the outcome of the statutory employer consultation. For more information please see our website at [www.uss.co.uk](http://www.uss.co.uk)

## Annual allowance worksheet (2018/19 tax year)

Your estimated PIP amount for the full year is the sum of A + B + C below.

### A : USS Retirement Income Builder benefits

Pensionable salary (or Voluntary Salary Cap (VSC)) up to the £57,216.50 threshold:

$$\boxed{\text{£}} \times \frac{19}{75} = \text{A}$$

If your pensionable salary or VSC is above the threshold, just enter £57,216.50 here

### B: USS Investment Builder benefits

Pensionable salary (or VSC) above the £57,216.50 (i.e. your pensionable salary minus £57,216.50)

$$\boxed{\text{£}} \times \frac{20}{100} = \text{B}$$

If your pensionable salary is below the threshold (or your VSC is set at the salary threshold), enter zero here

### C: Additional contributions

Taking the match? Add 2% of your pensionable salary (or VSC) here:

$$\boxed{\text{£}} + = \text{C}$$

If you are making additional contributions to USS (in addition to, or instead of, the match), add the amount of the contributions for the tax year here, for example these could be lump sum contributions or regular monthly additional contributions:

$$\boxed{\text{£}}$$

### D: Estimated PIP amount

Sum of A + B + C above:

$$\boxed{\text{£}} = \text{D}$$

## How to estimate your (tapered) annual allowance

The tapered annual allowance calculation is split into two tests. The first test is the "Threshold Income" test. If your Threshold Income is below £110,000 (following the steps below) then you will not be subject to the tapered annual allowance. If your Threshold Income is above £110,000 then proceed to Test 2.

### Enter your details for the tax year here

#### Test 1: Threshold income

**Step 1:** Begin with your taxable income for the tax year:

£

Note that this is not just your earnings, but also includes investment income and any benefits in kind paid by your employer (e.g. medical insurance). We recommend that you seek independent advice if you are in any doubt what to include here.

If your pension contributions are paid by salary sacrifice, you should reduce your income by the amount sacrificed.

#### Step 2: Deduct your pension contributions\*

For USS, this will be 8% of your pensionable salary (or VSC), plus an extra 1% if you are taking the match plus any additional contributions if you are making them.

-

£

**Step 3:** Deduct any taxed pension lump sum death benefits received:

-

£

**Step 4:** If you are paying your USS pension contributions via a salary sacrifice arrangement that began after 8 July 2015, then add the amount of these contributions back in.

+

£

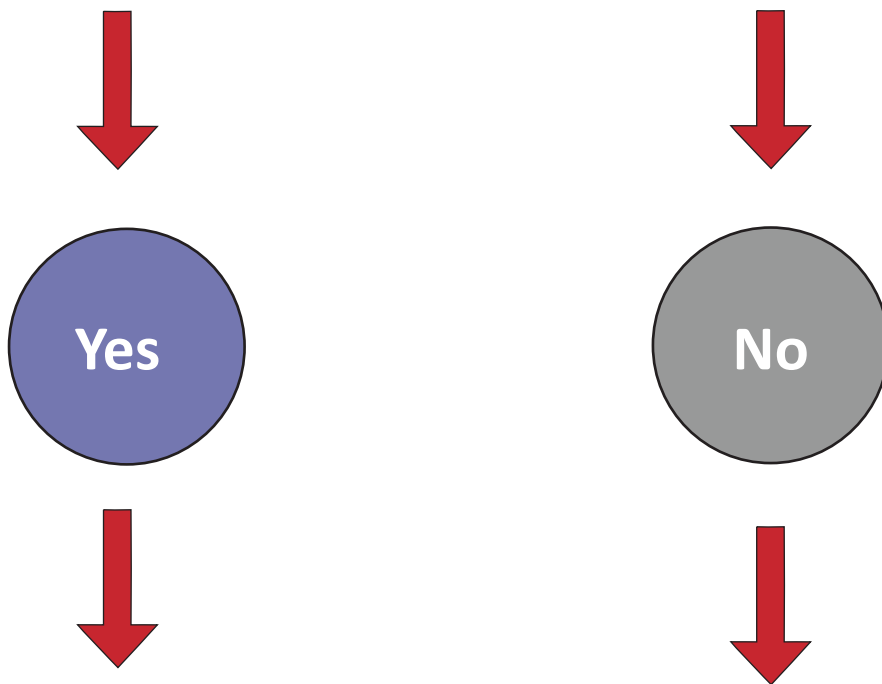
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£

\* If your pension contributions are paid through a salary sacrifice arrangement with your employer, you should enter:

- £0 in Step 2; and
- Reduce your taxable income in Step 1 by the amount of salary you sacrifice.

Is the total less than £110,000?



Your annual allowance tax-free limit is £40,000

Go to Test 2: Adjusted Income

### Test 2: Adjusted income

Enter your details for the tax year here

Step 1: Begin with your taxable income for the tax year:

£

Note that this is not just your earnings, but also includes investment income and any benefits in kind paid by your employer (e.g. medical insurance). We recommend that you seek independent advice if you are in any doubt what to include here.

Step 2: Add on your total PIP amount:

+

£

(see page 2 answer **D** for this figure.)

Step 3: Deduct your contributions to USS (see below for further explanation):

-

£

For USS, this will be 8% of your pensionable salary (or VSC), plus an extra 1% if you are taking the match plus any additional contributions if you are making them.

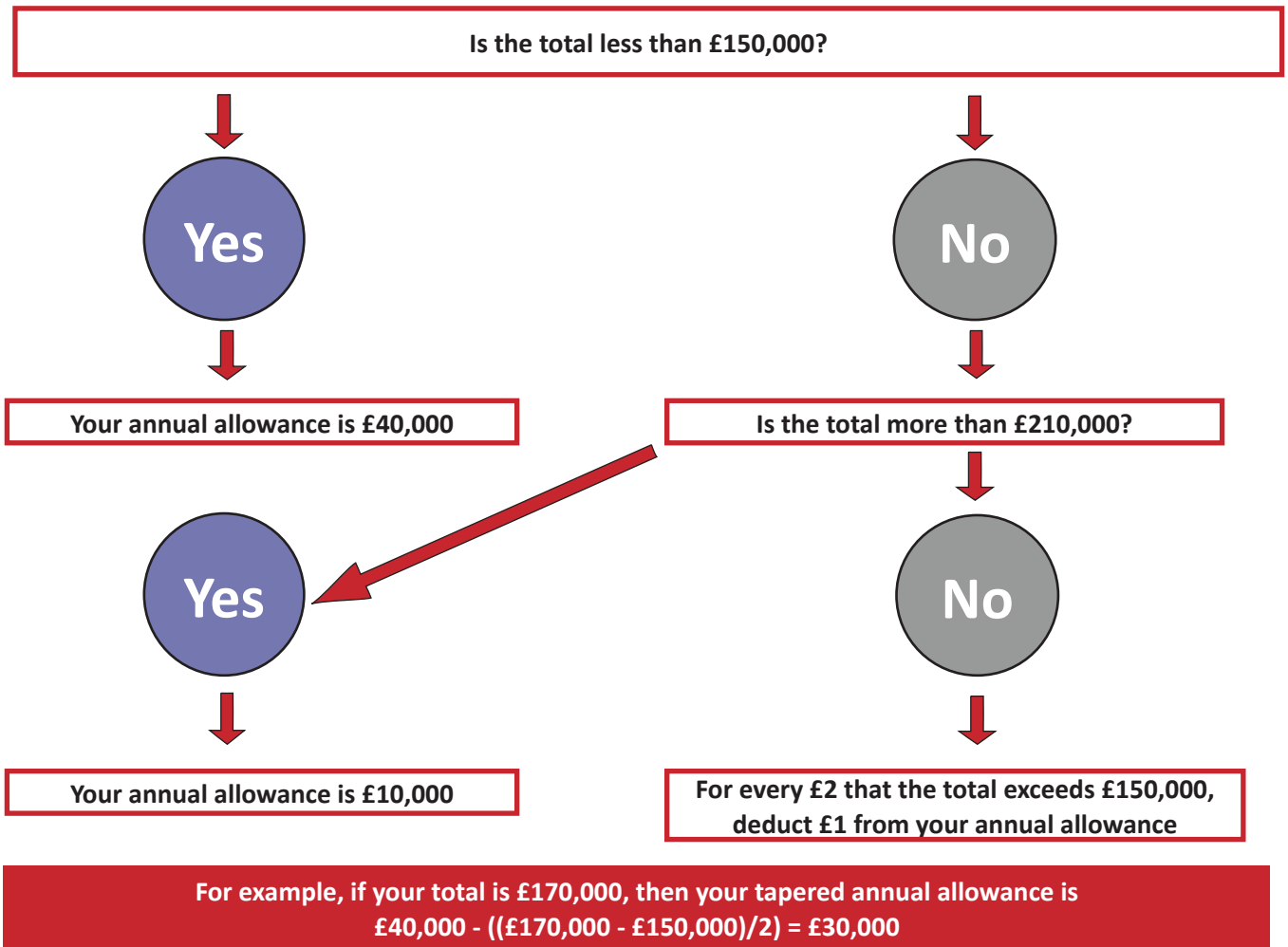
Step 4: Deduct any taxed pension lump sum death benefits received:

-

£

Total

£



### Important information

Please note that this worksheet is designed to give you an 'order of magnitude' estimate of your PIP amount and tapered annual allowance. The worksheet should not be relied on when you are making decisions, or refraining from making decisions, about your USS benefits and/or your tax options as a number of simplifications have been made. These simplifications include (but are not limited to):

- No allowance has been made for the 5 day period from 1 April to 5 April each year;
- No allowance has been made for added years AVC contracts or revalued benefit AVCs;
- The money purchase annual allowance is assumed not to apply;
- The pensionable salary figure entered is assumed to remain constant throughout the tax year.

**We strongly recommend that you take independent financial advice before making any decisions, or refraining from making any decisions, about your USS benefits and/or your tax options. You can find an independent financial adviser through the following website: [www.unbiased.co.uk](http://www.unbiased.co.uk). Please note that you may be charged a fee for any advice.**

This worksheet is for general guidance only and has been created by Universities Superannuation Scheme Ltd for the sole use of the participating employers of USS and their members. It is not a legal document and does not allow for all situations or eventualities. This worksheet does not provide any guarantee regarding the PIP amount or tapered annual allowance figures shown, and the worksheet should not be regarded as financial advice. Neither USS Ltd nor any of their officers or employees accept any responsibility or liability for any loss, damage or inconvenience caused by action taken (or a decision not to take action) as a result of information provided by this worksheet.

The legal and tax issues shown in this worksheet are based on our understanding of these issues at the date of publication. Please ensure that you are using the latest version of this document. Any changes in the law or HMRC rules may affect this information.

Members' benefits at retirement will always be calculated in accordance with the scheme rules of USS at the time the benefits become payable and any overriding legislation. If there are inconsistencies between this worksheet and the scheme rules, the scheme rules will always prevail.

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