

# Voluntary Salary Cap (VSC)

If you are near your lifetime allowance (LTA) and annual allowance (AA) limits and you earn above the salary threshold, you could choose a Voluntary Salary Cap (VSC) to help you manage your tax charges.

A VSC lets you set a pensionable salary that's lower than your actual salary (but not less than the salary threshold), so you can manage the amount of pensions tax you pay.

## What is the purpose of the VSC?

A Voluntary Salary Cap could help you strike a balance between the amount of tax you pay on the pension benefits you build up and on your salary, if you are close to your lifetime allowance or annual allowance limits (government-set limits on how much pension benefits you can build up before they are subject to tax).

See the [lifetime allowance](#) and [annual allowance](#) factsheets on our [resources page](#).

## Who can use the VSC?

Any member of USS paying into the scheme who earns above the salary threshold (£58,589.70 from 1 April 2019).

## When can I apply for a VSC?

Voluntary Salary Caps take effect at the start of each tax year (1 April), and the deadline to apply is 3 March. If you miss the deadline or you join USS after 3 March, the earliest you can have a Voluntary Salary Cap is the following April.

## How do I decide where to set my VSC?

That's up to you. Neither USS nor your employer can give you financial advice, so you must make a decision based on your personal circumstances.

Use the [annual allowance modeller](#) to help estimate the impact of different Voluntary Salary Caps.

Using a Voluntary Salary Cap to reduce your pensions tax liability lowers your pensionable salary. This will affect the benefits you receive in retirement. Seek financial advice to see whether a tax saving with a Voluntary Salary Cap is more beneficial to you than your current level of USS benefits.

Find a financial adviser on [unbiased.co.uk](http://unbiased.co.uk).

## Should my VSC ensure my USS Investment Builder savings pay for any tax charges?

It could be tax-efficient for you to use some of your USS Investment Builder savings to pay annual allowance tax charges. This is called Scheme Pays.

Find out more about [Scheme Pays](#) and the annual allowance excess charge on our [resources page](#).

## How will my VSC impact my annual allowance?

You can set your Voluntary Salary Cap anywhere between the salary threshold (£58,589.70 for 2019/20) and your pensionable salary. Setting the cap higher will increase the amount of annual allowance you use up, but it will also increase the amount of benefits you build up in the USS Investment Builder.

## What effect would a VSC have on the tapered AA?

Your taxable income is the starting point for determining your tapered annual allowance, and that is not affected by a Voluntary Salary Cap.

However, a Voluntary Salary Cap will reduce the benefits you build up. In turn, this will reduce your 'adjusted income' and the amount of your salary that is assessed for annual allowance purposes.

See the [annual allowance](#) factsheet on our [resources page](#).

### **What contribution rate will I pay?**

You will pay 8.8% of your salary up to your Voluntary Salary Cap (8% of any contributions above the salary threshold but below your Voluntary Salary Cap will be saved in the USS Investment Builder, with the remaining 0.8% supporting the benefits provided by the USS Retirement Income Builder).

### **Does my employer pay any contributions in respect of my salary above the VSC?**

Your employer will not pay contributions above your Voluntary Salary Cap to your USS Investment Builder fund.

### **Can I still pay the 1% match?**

Yes, you can still take the match but please note that from 1 April 2019, the employer element of the match was removed. You may still have the match and be making additional contributions to your USS Investment Builder pot. For more information, go to [www.uss.co.uk/the-match](http://www.uss.co.uk/the-match)

### **Will death in service and incapacity benefits be limited to the VSC I set?**

If you want to keep your death in service and incapacity benefits based on your full salary, you can pay a contribution of 2.5% of your salary above your Voluntary Salary Cap (please note that this rate is subject to change). Otherwise, these benefits will be based on your Voluntary Salary Cap salary.

### **I have multiple employments, how does the VSC work for me?**

You still need to decide the overall level of your Voluntary Salary Cap, but it's up to you to tell your employers how you want it to be applied. For instance, if you want to cap your salary at the threshold, and you have two posts at £40,000 per annum, the Voluntary Salary Cap could apply to one employer, with your salary capped at £18,589.70 and no cap applied to your other employment. This is just an example, and it is up to you to decide how the cap applies.

### **What if I end one of my employments part way through the year?**

If you left the job that did not have a Voluntary Salary Cap applied to the salary, using the example above, your pensionable salary would be restricted to £18,589.70 until the following 31 March, when your Voluntary Salary Cap would be cancelled as it would be lower than the salary threshold. If you left the job to which your Voluntary Salary Cap applied, the Voluntary Salary Cap would end.

### **How do I choose a VSC and where is the form?**

The forms to make an election are available from your employer. You will need to speak to your employer in the first instance because an election for a Voluntary Salary Cap will require a change to their payroll.

### **Can I cancel my VSC?**

Yes, but you must give at least 28 days' notice. You can give notice any time, but the cancellation will only come into effect on 31 March – so your Voluntary Salary Cap will be in place for at least a year, and the latest you can give notice is 2 March.

If you do not cancel your Voluntary Salary Cap, it will continue each year on a rolling basis. Should the salary threshold (which rises annually broadly in line with inflation) increase above the level you have set, your Voluntary Salary Cap will automatically increase to the new salary threshold level.

**A VSC is not suitable for everyone, and you should seek independent financial advice, before electing for a VSC. Find an independent financial adviser on [unbiased.co.uk](http://unbiased.co.uk). You may be charged for any advice you receive.**

This publication is for general guidance only. It is not a legal document and does not explain all situations or eventualities. USS is governed by a trust deed and rules and if there is any difference between this publication and the trust deed and rules the latter prevail. Members are advised to check with their employer contact for latest information regarding the scheme, and any changes that may have occurred to its rules and benefits. Any references to the Trustee or USSL in this document means Universities Superannuation Scheme Limited, the trustee company of Universities Superannuation Scheme and any references to the scheme or USS means Universities Superannuation Scheme.