

UK Group Personal Pension Plan – higher rate tax payers

Did You Know...if you are a **contributory member** of the RNLI's Group Personal Pension Plan (GPP) Scheme, you can claim additional tax relief if you are a higher rate tax payer.

*(Note that if you are a **salary exchange member**, you have exchanged part of your salary in return for an additional pension contribution from the RNLI – therefore there is no tax relief to reclaim).*

The higher rate tax threshold is reviewed at the start of each tax year. To check the current rate: <http://www.hmrc.gov.uk/rates/it.htm>

In order to encourage individuals to contribute to private pension arrangements (and thereby reduce the burden on the state) legislation is in place to "reward" individuals who make contributions. This reward is in the form of tax relief on contributions made to pensions. This tax relief provides the individual with a return of the tax paid on income which is then paid into a pension arrangement. For example, if you are a basic rate tax payer (20%) and you earn £100 this leaves you with £80 after tax. If that £80 is paid to the pension, the pension provider credits an amount equivalent to basic rate tax to your pension meaning £100 is invested and the Provider will then claim the additional amount back from HMRC.

Therefore, all contributions to pensions are made net of basic rate tax, currently 20%. Hence, if you look at your payslip you will see the amount deducted from your net pay is equivalent to your salary multiplied by your selected contribution level **less 20%** giving you basic rate relief at source. However, if you are a higher rate tax payer you will pay 40% on some of your earnings and therefore will be able to claim additional tax relief. This is claimed either by contacting your local tax office who will adjust your tax code to reflect the higher level of relief **or** by including the details of your contributions on your HMRC self-assessment tax form which will then result in a refund of tax being due which will either reduce your tax bill or create a refund dependant upon your other liabilities.

In view of this, if your total earnings exceed the higher rate threshold you will pay Income tax at a rate of 40% and are therefore entitled to higher rate tax relief. If you are a higher tax payer you will be entitled to additional relief of 20% (higher rate of 40% less 20% basic rate received) of the gross contributions made meaning additional relief being due to you.

The only caveat is that this information makes certain assumptions regarding your tax position and if these are incorrect it may change the situation. However the important thing to check at this point is:-

Did your taxable earnings for the last tax year mean that you paid higher rate tax? This would be basic salary, overtime, allowances, bonuses etc plus any additional income you may have such as pensions or investment income

If so, either complete your self-assessment tax form or contact your Tax office to either request a form or amend your tax code. Your tax office is:

HMRC
Bristol and N Somerset Area
Ground Floor
Norfolk House
Temple Street,
Bristol, BS1 6FY

Telephone: 0845 300 0627

NB: When contacting HMRC please remember to have your National Insurance (NI) number to hand, as you will need to quote it to them. Your NI number appears on your payslip.