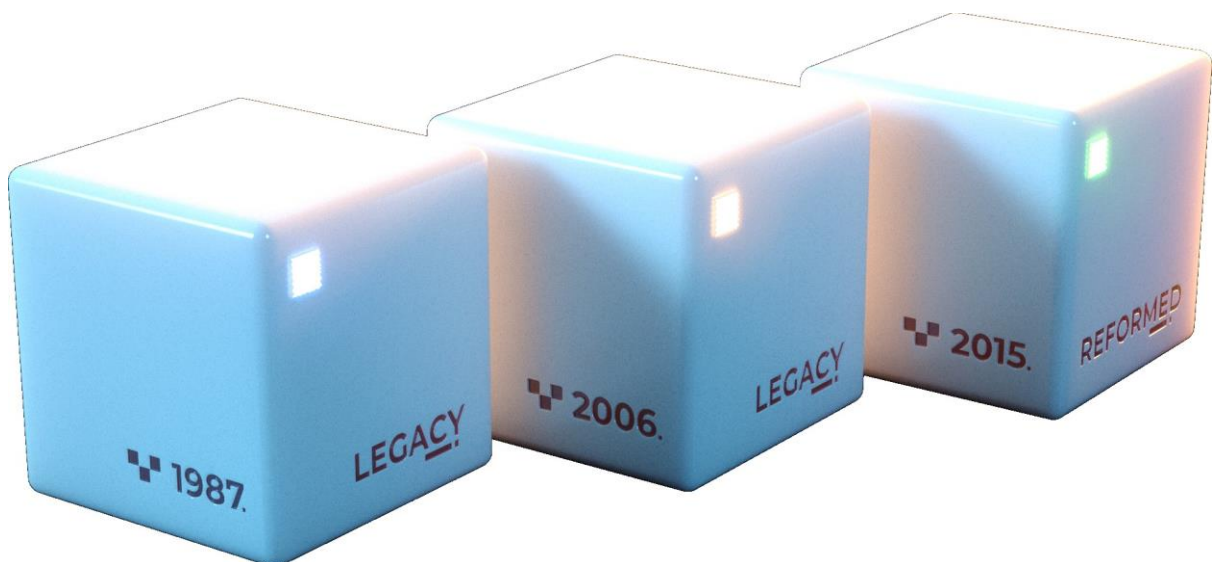


# Member tax information

## Personal tax and remedy



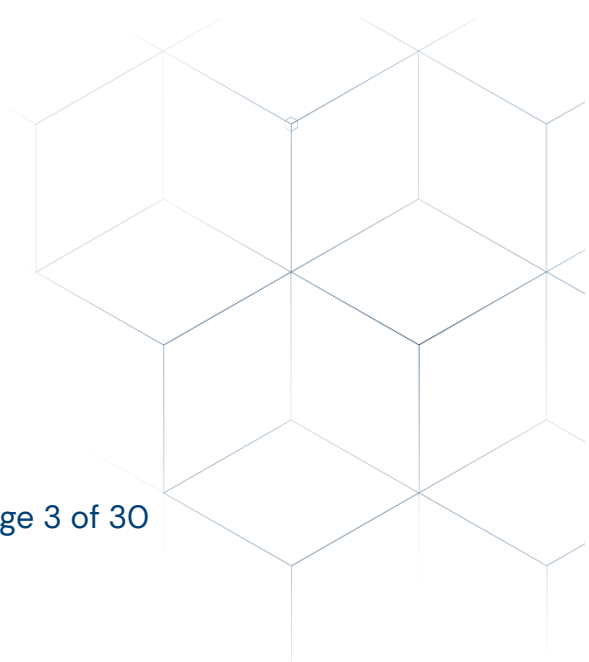
## Contents

Introduction.....	3
Purpose of this document.....	4
Contributions adjustment for PPS 1987.....	5
Immediate Choice members .....	5
Deferred Choice members.....	5
Personal tax implications of settling the contribution adjustment.....	6
Broader tax issues .....	6
Additional tax relief on contributions owed.....	7
Appeal against the amount of tax relief calculated.....	8
Contributions adjustment for PPS 2006 .....	9
Immediate Choice members .....	9
Deferred Choice members.....	9
Personal tax implications of settling the contribution adjustment.....	10
Broader tax issues .....	10
Tax relief on overpaid contributions.....	11
Appeal against the amount of tax relief calculated.....	12
Immediate Choice members – adjustments to pension benefits.....	13
Personal tax implication of choosing a higher annual pension.....	13
What actions are required from a personal tax perspective.....	15
Personal tax implication of choosing a lower annual pension .....	16
Appendix A.....	17
Case study 1: Constable – impact of contribution adjustment.....	17
Case study 2: Sergeant – Other source of income and impact of contribution adjustment.....	19
How the scheme manager will estimate the tax relief .....	21
Action required.....	21
Case study 3: Sergeant – Immediate choice member with arrears of pension..	23
Default position.....	23

Alternative position.....	24
Action required.....	25
Appendix B.....	26
Identify if submissions to HMRC are required because of remedy.....	26
Glossary .....	27

## Introduction

1. This document is for members of the police pension scheme to provide information about personal tax and remedy covering all aspects including how rates are affected by contribution adjustments and choice of remedy benefits for immediate choice members. This provides some key information and builds on the information contained in the [introduction to personal tax document](#).
2. The information and rates quoted in this document are for the 2024/25 tax year and therefore relevant links have been provided throughout the document to the GOV.UK website so that the most up to date information can be found.
3. In the appendix of the document there are some case studies with example calculations to show the impact of remedy on pension contributions on income, including how tax is calculated across the different bands and how arrears of pension may impact the amount of tax that is paid.
4. At the end of the document there is also a glossary with some useful terms explained.
5. Due to the complex nature of police pensions, taxation and remedy, the technical content of this document has been specifically commissioned by NPCC and written by specialist tax advisers KPMG.



## Purpose of this document

6. This document sets out some of the personal tax implications that may affect you, the timing of when this impact occurs, depends on your remedy choices and when you make them.
7. You will not need to read all of this document; you will only need to read the sections that are relevant to you.

### All members – contribution adjustment

- PPS 1987 – Pages 5 to 8
- PPS 2006 – pages 9 to 12
- Case study 1 – page 17
- Case study 2 – pages 19 to 21

### Immediate Choice members only

- Adjustments to pension benefits – pages 13 to 16
- Case study 3 – pages 22 to 24

8. If you are an **immediate choice member**, any impact to your personal tax position will only be known when you make your choice for remedy benefits and where applicable, the relevant adjustments are made.
9. If you are a **deferred choice member**, any impact to your personal tax position will only be known when you settle your contribution adjustment, which may not be until you retire.
10. Any personal tax implications you incur because of remedy, even if these are only realised many years later, can be compensated for, but evidence will be required. Therefore, all members are advised to retain their relevant personal tax information for the remedy period 2015/16 to 2021/22 to enable them to make any subsequent compensation claims to their scheme manager.
11. Alternatively you can make a subject access request to HMRC – <https://www.gov.uk/guidance/hmrc-subject-access-request> to obtain details about earnings, tax paid, child benefit, tax credits etc. You will need to request this for 06/04/2015 to 05/04/2022, you may wish to request this now so that you have this information and avoid it being lost and can then retain it for the future as and when your remedy choices are made.

## Contributions adjustment for PPS 1987

12. The type of protection that you had during the remedy period will determine the amount of contributions that you owe on rollback to the PPS 1987. This is known as a ‘contribution adjustment’

Protection status	Adjustment
Fully protected	No adjustment necessary
Tapered protected	Some adjustment necessary
Unprotected	Full adjustment necessary

13. As pension contributions qualify for tax relief, this means that if you were tapered protected or an unprotected member, your personal tax position will need to be revisited for the relevant tax years of the remedy period (2015/16 to 2021/22).
14. Any personal tax implications will only occur at the point when you choose to settle your contribution adjustment.

### Immediate Choice members

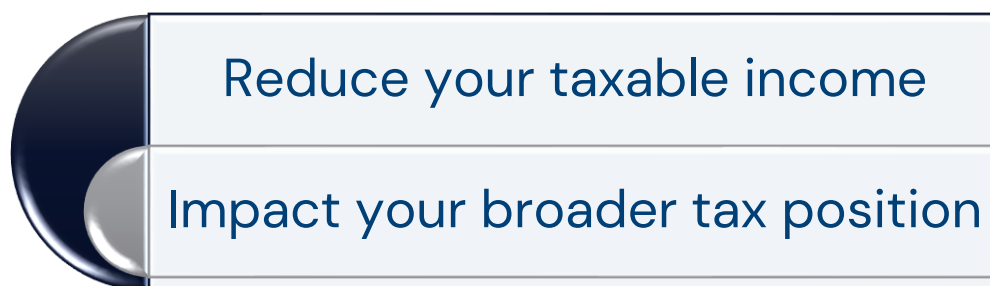
15. If you are an [Immediate Choice member](#), you will receive your remediable service statement by 31 March 2025 and you have up to 12 months to choose your remedy benefits.
16. If your choice of remedy benefits results in a contribution adjustment, this will be deducted from your pension benefits, and it will only be at this point that any personal tax implications will be known.

### Deferred Choice members

17. If you are a [Deferred Choice member](#), you will receive your first combined annual benefit statement remediable service statement by 31 August 2024 and then annually until you retire.
18. You do not have to make any choice about your remedy benefits when you receive this annual statement. The only choice you have is whether to settle your contribution adjustment or not. There is no obligation to do so, and you will have the same choice each year, or you can wait until you retire.
19. If therefore, you choose to not settle your contribution adjustment until you retire, which may be many years in the future, any personal tax implications in respect of the remedy period will only be known at this point.

## Personal tax implications of settling the contribution adjustment

20. As you owe more contributions, you are entitled to an increased amount of tax relief and the contributions that you owe will be reduced to take account of this additional tax relief.
21. Each relevant tax year of the remedy period needs to be looked at in turn to work out your revised position, with your personal tax position being recalculated in full.
22. There are two ways how your contribution adjustment will impact your personal tax position: –



23. You will be due further tax relief in respect of your additional contributions payable, but the scheme manager can only base this on your employment income with the police and therefore this doesn't take account of your broader tax position.

### Broader tax issues

24. Depending on your personal facts and circumstances, the contribution adjustment may impact your historic tax position by a number of factors. If you are affected by any of these or other broader tax issues, you may need to consider making a claim to your scheme manager for compensation. Further details can be found on the website – <https://policepensioninfo.co.uk/>
  - Member remedy factsheet – [compensation](#)
  - Member remedy form – [compensation claim form](#)
25. It is not possible to list all the personal tax issues which may affect you, but some of the more likely areas are: –

Effect on tax bands	<ul style="list-style-type: none"><li>• Net taxable earnings may fall within a lower tax band than before</li></ul>
High income child benefit charge (HICBC)	<ul style="list-style-type: none"><li>• Will reduce the level of your adjusted net income, which could result in a lower HICBC</li></ul>
Personal savings allowance	<ul style="list-style-type: none"><li>• May be amended to reflect change in tax band</li></ul>
Personal allowance	<ul style="list-style-type: none"><li>• Will reduce your adjusted net income, which may reduce the level of tapering applied</li></ul>

*Effect on tax bands*

26. An example of how this may affect you is where prior to the remedy, you may have been a higher rate taxpayer, whereas post remedy you are now a basic rate taxpayer.

*High income child benefit charge (HICBC)*

27. If this is applicable, you may therefore be due to receive further child benefit payments following remedy.

*Personal savings allowance*

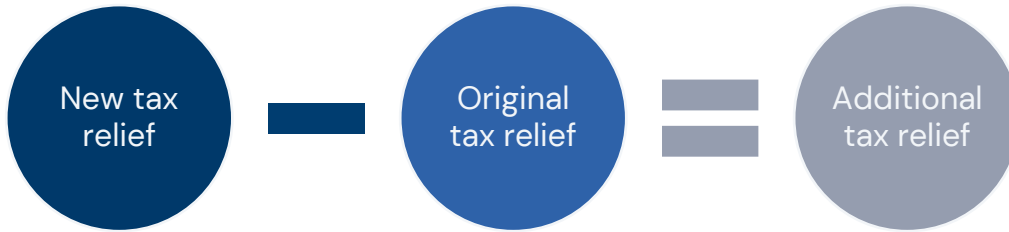
28. If your personal savings allowance alters, this would decrease your income tax liability for the relevant tax years and therefore reduce the overall average rate at which you pay tax.

*Personal allowance*

29. If your tapered personal allowance is amended, this could decrease your income tax liability for the relevant tax years and therefore reduce the overall average rate at which you pay tax.

**Additional tax relief on contributions owed**

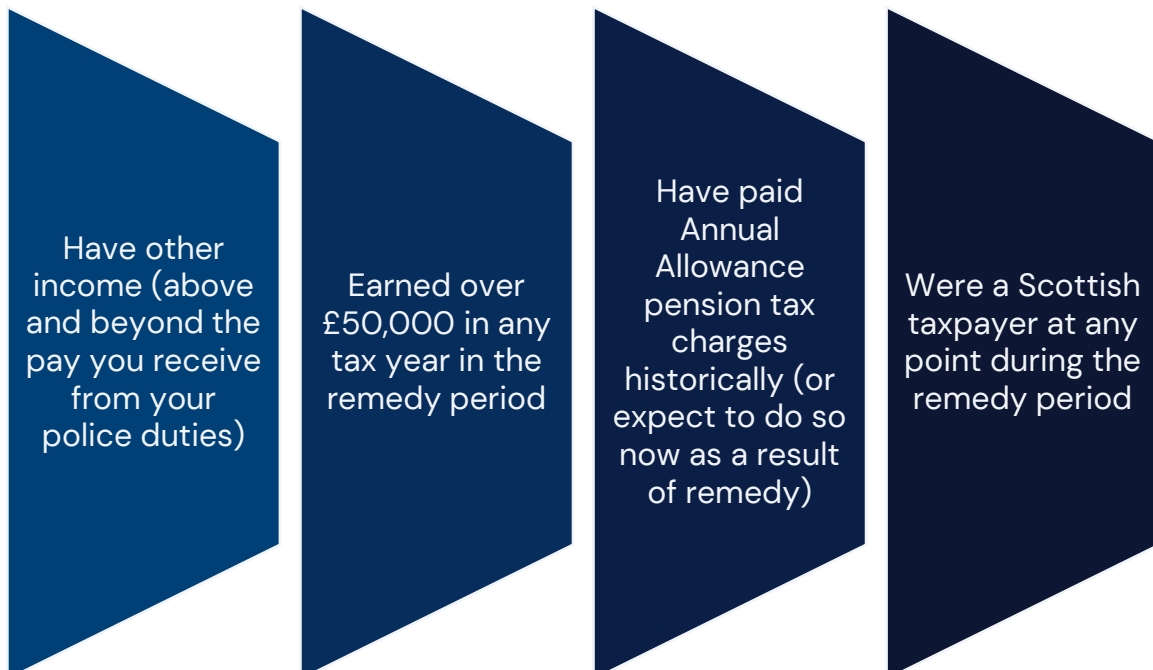
30. The additional amount of tax relief due from the contribution adjustment will be calculated separately for each year of the remedy period. This will be compared against your historic tax liability to work out the additional tax relief you are entitled to on the contributions you owe.
31. The new and original tax relief amounts for each year will be totalled and compared with each other. The difference will be the total amount of tax relief that you are due on your contribution adjustment following rollback.



32. The tax relief due to you is taken off the amount of contributions you owe, therefore reducing the overall amount which you need to pay.

### Appeal against the amount of tax relief calculated

33. To check if the right amount of tax relief has been applied to your contribution adjustment, you may need to consider if a recalculation is necessary, this will be particularly important if you:



34. If the tax relief applied to your contribution adjustment is not correct, then you will need to appeal against the amount of tax relief that the scheme manager has used to calculate your net contribution adjustment.
35. Your scheme manager will review your appeal, and if they agree with your calculations, will adjust their records to reflect the revised net contribution liability that you owe.

## Contributions adjustment for PPS 2006

36. The type of protection that you had during the remedy period will determine the compensatable payment in respect of your overpaid contributions that are owed to you on rollback to the PPS 2006. This is known as a ‘contribution adjustment’.

Protection status	Adjustment
Fully protected	No adjustment necessary
Tapered protected	Some adjustment necessary
Unprotected	Full adjustment necessary

37. As pension contributions qualify for tax relief, this means that if you were tapered protected or an unprotected member, your personal tax position will need to be revisited for the relevant tax years of the remedy period (2015/16 to 2021/22).
38. Any personal tax implications will only occur at the point when you choose to settle your contribution adjustment.

### Immediate Choice members

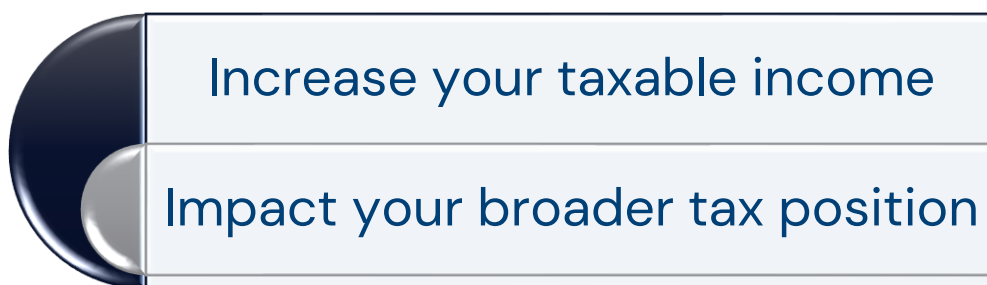
39. If you are an [Immediate Choice member](#), you will receive your remediable service statement by 31 March 2025 and you have up to 12 months to choose your remedy benefits.
40. If your choice of remedy benefits results in a contribution adjustment, this will be paid with your pension benefits, and it will only be at this point that any personal tax implications will be known.

### Deferred Choice members

41. If you are a [Deferred Choice member](#), you will receive your first combined annual benefit statement remediable service statement by 31 August 2024 and then annually until you retire.
42. You do not have to make any choice about your remedy benefits when you receive this annual statement. The only choice you have is whether to settle your contribution adjustment or not. There is no obligation to do so, and you will have the same choice each year, or you can wait until you retire.
43. If therefore, you choose to not settle your contribution adjustment until you retire, which may be many years in the future, any personal tax implications in respect of the remedy period will only be known at this point.

## Personal tax implications of settling the contribution adjustment

44. As you are owed a compensatable payment in respect of overpaid contributions, you are entitled to a lower amount of tax relief and this will be offset against the payment that is due to you, reducing the overall amount owed.
45. Each relevant tax year of the remedy period needs to be looked at in turn in order to work out your revised position, with your personal tax position being recalculated in full.
46. There are two ways how your contribution adjustment will impact your personal tax position: –



47. You will have received too much tax relief in respect of the overpaid contributions, but the scheme manager can only base this on your employment income with the police and doesn't take effect of your broader tax position.

### Broader tax issues

48. Depending on your personal facts and circumstances, the contribution adjustment may impact your historic tax position by a number of factors. If you are affected by any of these or other broader tax issues, you may need to consider making a claim to your scheme manager for compensation. Further details can be found on the website – <https://policepensioninfo.co.uk/>
  - Member remedy factsheet – [compensation](#)
  - Member remedy form – [compensation claim form](#)
49. It is not possible to list all the personal tax issues which may affect you, but some of the more likely areas are: –

Effect on tax bands	<ul style="list-style-type: none"><li>• Net taxable earnings may fall within a higher tax band than before</li></ul>
High income child benefit charge (HICBC)	<ul style="list-style-type: none"><li>• Will increase the level of your adjusted net income, which could result in a higher HICBC</li></ul>
Personal savings allowance	<ul style="list-style-type: none"><li>• May be amended to reflect change in tax band</li></ul>
Personal allowance	<ul style="list-style-type: none"><li>• Will increase your adjusted net income, which may increase the level of tapering applied</li></ul>

*Effect on tax bands*

50. An example of how this may affect you is where prior to the remedy, you may have been a basic rate taxpayer, whereas post remedy you are now a higher rate taxpayer.

*High income child benefit charge (HICBC)*

51. If this is applicable you may have a higher HICBC meaning that more child benefit will be clawed back.

*Personal savings allowance*

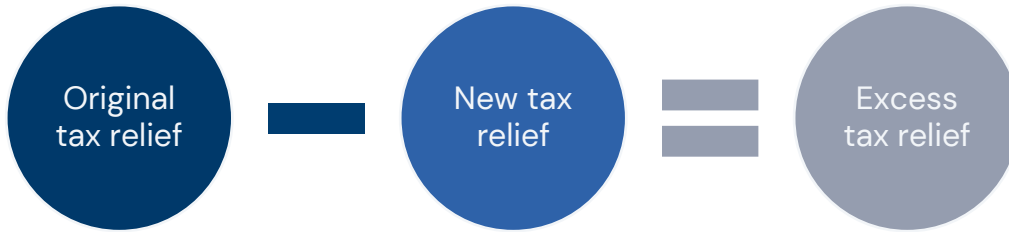
52. If your personal savings allowance alters, this would increase your income tax liability for the relevant tax years and therefore increase the overall average rate at which you pay tax.

*Personal allowance*

53. If your tapered personal allowance is amended, this could increase your income tax liability for the relevant tax years and therefore increase the overall average rate at which you pay tax.

### Tax relief on overpaid contributions

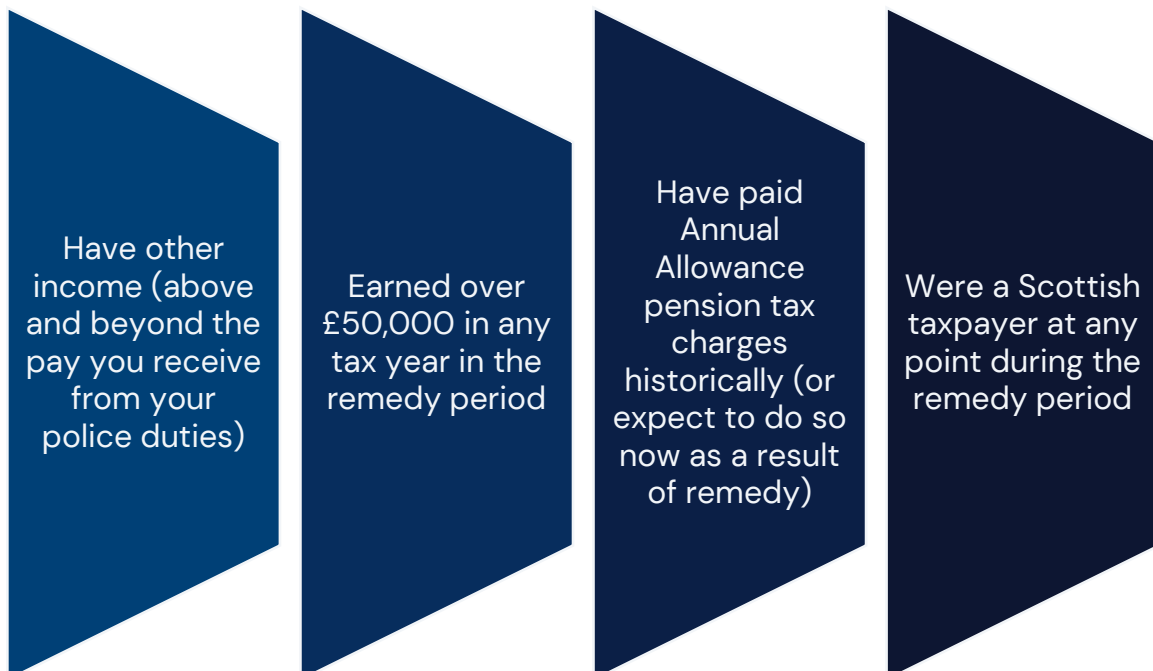
54. The excess amount of tax relief to be clawed back from the contribution adjustment will be calculated separately for each year of the remedy period. This will be compared against your historic tax liability to work out the excess tax relief you have received on the overpaid contributions due to you.
55. The new and original tax relief amounts for each year will then be totalled and compared with each other. The difference will be the total amount of tax relief that you are due to repay on your contribution adjustment following rollback.



56. The excess tax relief you will have received is taken off the amount of compensatable payment due to you, therefore decreasing the overall amount due back to you.

### Appeal against the amount of tax relief calculated

57. To check if the right amount of tax relief has been applied to your contribution adjustment, you may need to consider if a recalculation is necessary, this will be particularly important if you:



58. If the tax relief applied to your contribution adjustment is not correct, then you will need to appeal against the amount of tax relief that the scheme manager has used to calculate your net contribution adjustment.
59. Your scheme manager will review your appeal, and if they agree with your calculations, will adjust their records to reflect the revised compensatable payment that is due to you.

## Immediate Choice members – adjustments to pension benefits

60. If you are an [immediate choice member](#) who retired on or before 30 September 2023, your choice of remedy benefits may impact your retirement benefits: –

Protection status	Choose legacy scheme	Choose reformed scheme
Fully protected	No impact on pension benefits	Adjustment to pension benefits required
Tapered protected	Adjustment to pension benefits required	Adjustment to pension benefits required
Unprotected	Adjustment to pension benefits required	No impact on pension benefits

61. Remedy will impact your personal tax position, if your choice of remedy benefits results in an adjustment to your current pension in payment.
62. Any personal tax implications will only occur and be known at the point when you make your election for remedy benefits, which can be up to 12 months after you receive your options, and the correction to your pension benefits is made.

### Personal tax implication of choosing a higher annual pension

63. If your choice means a higher annual pension, your historic pension benefits will be recalculated, and arrears of pension will be due to you. Any arrears of annual pension will be paid in a single payment.
64. The arrears of annual pension will be taxed in the tax year in which you receive them, rather than being taxed separately in the historic tax years to which the arrears relate.
65. Therefore, you may end up paying more tax now on the annual pension than you would have done, when compared to if you had received the correct benefits in the tax years in which they were due historically.
66. Whether or not this is the case will depend on the size of the arrears owing to you and your broader personal facts and circumstances, but this is particularly likely to be the case if:

Your total taxable income is expected to exceed the threshold for the basic rate tax band

- For 2024/25 this is £50,270

You are a Scottish taxpayer

67. Some of the potential reasons why your tax liability may be higher if the arrears payment is taxed in the current tax year of receipt rather than the historic tax year(s) to which it relates include:

Effect on tax band

- Net taxable earnings may fall within a higher tax band than before

High income child benefit charge (HICBC)

- Will increase the level of your adjusted net income, which could result in a higher HICBC

Personal savings allowance

- May be amended to reflect change in tax band

Personal allowance

- Will increase your adjusted net income, which may increase the level of tapering applied

*Effect on tax band*

68. If your total taxable income is currently near a tax band threshold, the arrears payment could result in you paying tax at a higher rate than you otherwise would have done.

*High income child benefit charge (HICBC)*

69. If this is applicable you may have a higher HICBC meaning that more child benefit will be clawed back.

*Personal savings allowance*

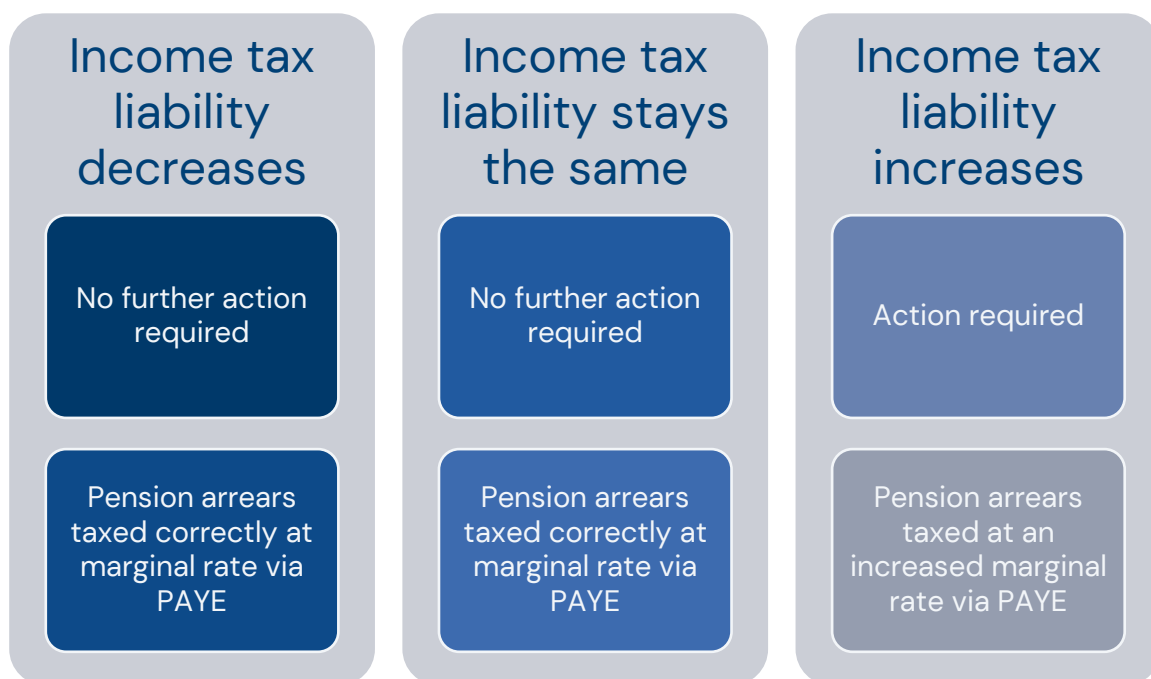
70. If your personal savings allowance alters, this would increase your income tax liability for the current tax year and could result in you paying more tax than you otherwise would have done.

*Personal allowance*

71. If your tapered personal allowance is amended, this could increase your income tax liability for the current tax year and could result in you paying more tax than you otherwise would have done.

What actions are required from a personal tax perspective

72. Depending on the amount of income tax that you have paid when compared to the total amount of income tax that you would have paid if the pension benefits had been paid in the tax year to which they relate will depend on what action you need to take: –



73. You will need to: –

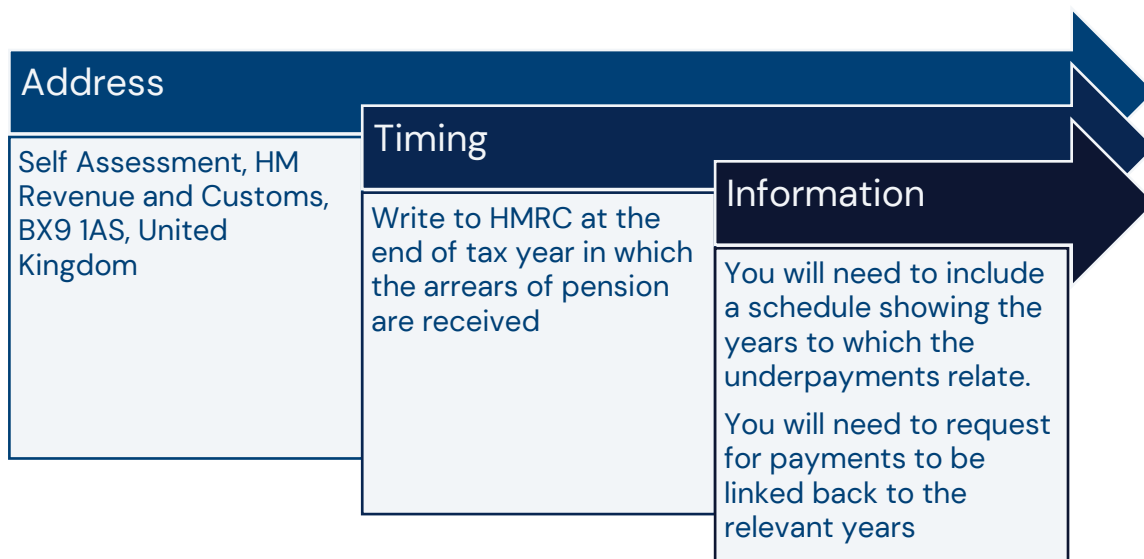
- Calculate your current year tax liability on all your income, including the arrears of pension payment.
- Recalculate your historic tax liabilities for each year in which you are entitled to a pension arrears payment (as if you had received these additional benefits in the year in which they were due).

Contact HMRC if: –

- Income tax paid on arrears of pension is more than you would have paid, if you had received the pension benefits in the year to which they relate

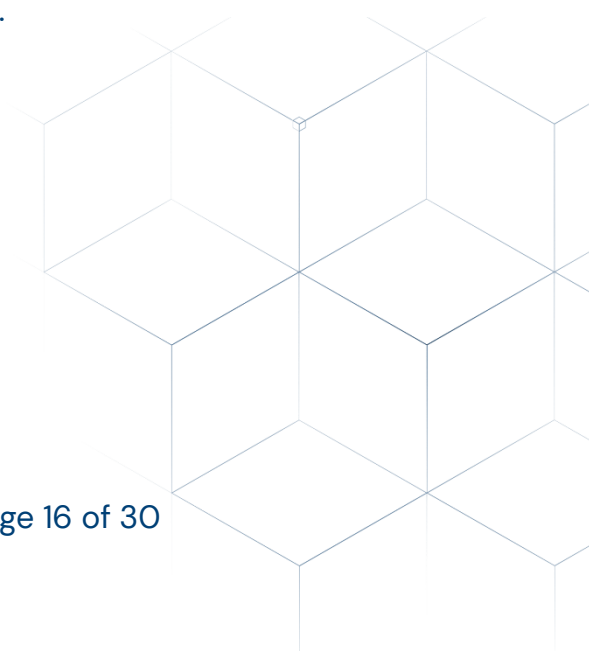
*Contacting HMRC*

- 74. You should contact HMRC in writing to request that they spread the payments back over the relevant years and recalculate your tax liability.
- 75. Underpayments in the earlier years may be offset against the resulting overpayment in the year that the arrears of annual pension payment is made and you should receive a refund for any overpaid tax from HMRC.



**Personal tax implication of choosing a lower annual pension**

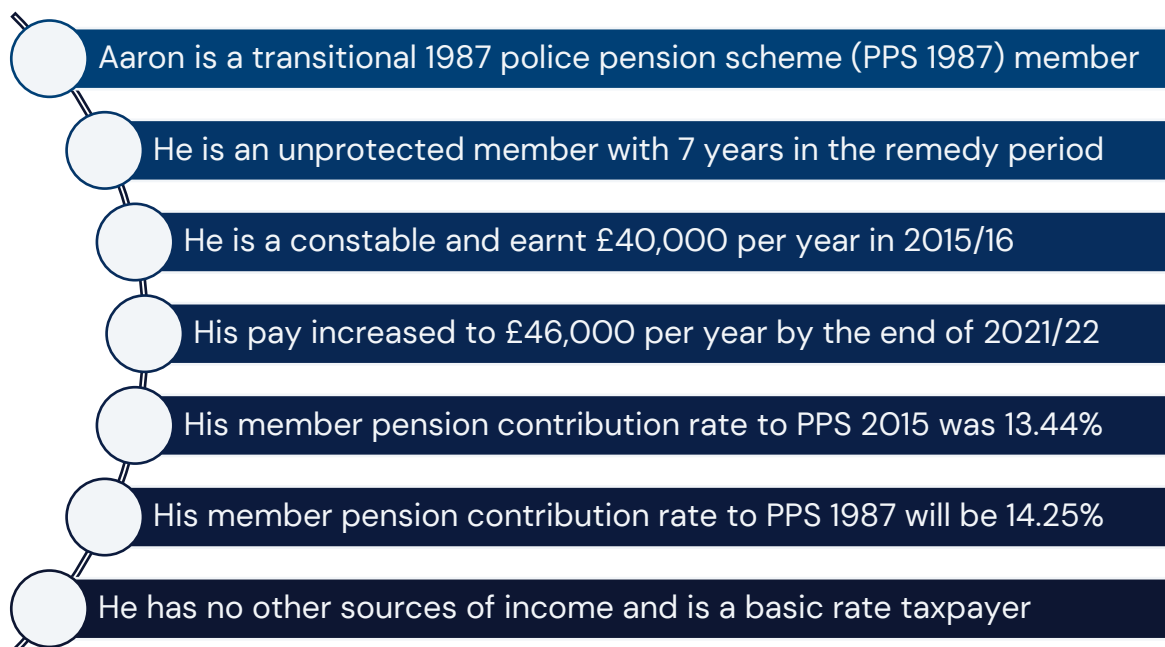
- 76. If your choice of remedy benefits means a lower annual pension, you will need to repay any overpaid pension benefits you have received since you retired.
- 77. You will have paid tax on the overpaid pension benefits you have received historically, and this will be repayable to you.
- 78. Your pension administrator will calculate the additional tax that you have paid on the overpaid pension benefits and this will be offset against the amount that you owe, reducing the overall amount payable.



## Appendix A

1. A number of example illustrations have been provided in this appendix to show how the contribution adjustment and arrears of pension payments impact tax liabilities.

### Case study 1: Constable – impact of contribution adjustment



2. As the contribution rate for the PPS 1987 is higher than the contribution rate of the PPS 2015, Aaron will owe contributions to the scheme.
3. Pension contributions qualify for tax relief therefore his contribution adjustment affects his tax position, and he will get extra tax relief on the contributions he owes.
4. The position during the remedy period and after rollback needs to be assessed for each relevant year.

2015/16 year	Position before remedy	Position after rollback
Gross salary	£40,000	£40,000
Less pension contributions	£5,376	£5,700
Total net income	£34,624	£34,300
Less personal allowance for year	£10,600	£10,600
Total taxable income	£24,024	£23,700
Income tax at 20%	£4,804	£4,740

5. This same calculation will be repeated for each year of the remedy period, the pension contributions and the income tax will then be totalled for both the before and after positions.

2015/16 to 2021/22 years	Position before remedy	Position after rollback
Total pension contributions	£40,454.40	£42,892.50
Total income tax	£35,605.12	£35,117.50

6. The gross contribution adjustment is worked out by deducting the contributions that were paid from those that would have been due to the PPS 1987 scheme.

$$£42,892.50 - £40,454.40 = £2,438.10 \text{ (gross contribution adjustment)}$$

7. The tax relief adjustment is worked out by deducting the income tax that is due if Aaron had paid contributions to the PPS 1987, from the income tax that he actually paid.

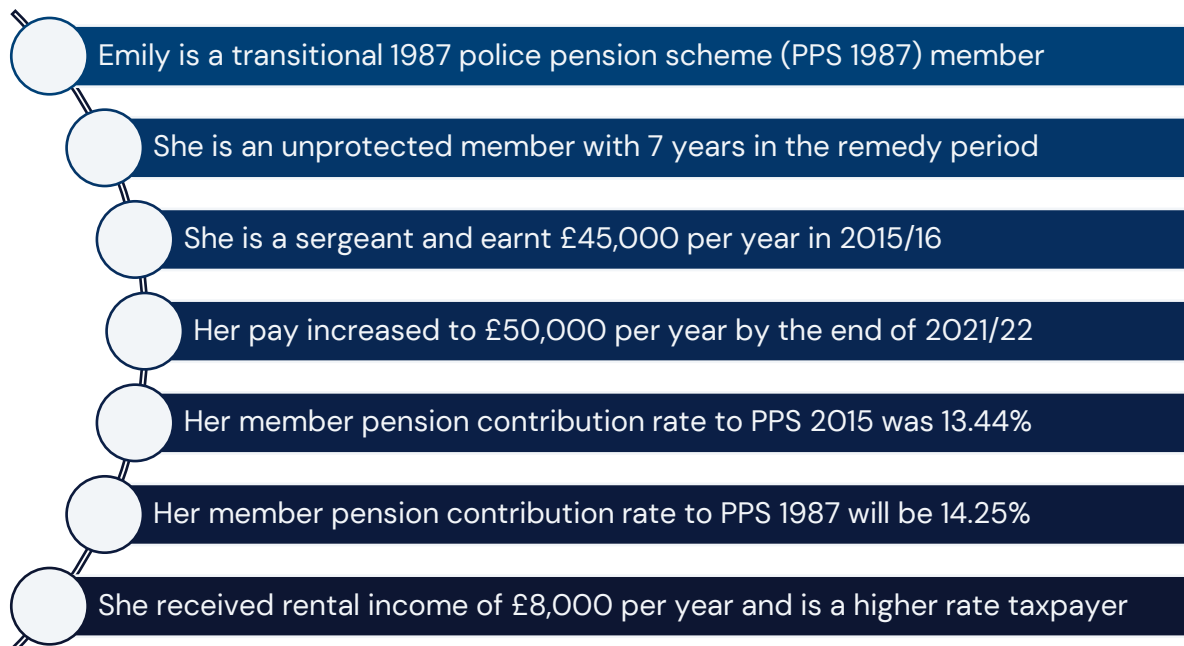
$$£35,605.12 - £35,117.50 = £487.62 \text{ (total tax relief adjustment)}$$

8. The net contribution adjustment that is payable is worked out by deducting the tax relief adjustment from the gross contribution adjustment.

$$£2,438.10 - £487.62 = £1,950.48 \text{ (total net contribution adjustment)}$$

9. The total net contribution adjustment will also have the appropriate amount of interest applied and this total amount will form the total contribution adjustment that Aaron will need to pay, this amount will be shown on the remediable service statement.
10. As he has no other sources of income, the scheme manager will have calculated his tax relief adjustment correctly and therefore no further action will be necessary for Aaron.

## Case study 2: Sergeant – Other source of income and impact of contribution adjustment



11. As the contribution rate for the PPS 1987 is higher than the contribution rate of the PPS 2015, Emily will owe contributions to the scheme.
12. Pension contributions qualify for tax relief therefore her contribution adjustment affects her tax position, and she will get extra tax relief on the contributions she owes.
13. The position during the remedy period and after rollback needs to be assessed for each relevant year.
14. As Emily has another source of income, the total net income needs to be determined.

2015/16 year	Position before remedy	Position after rollback
Gross salary	£45,000	£45,000
Less pension contributions	£6,048	£6,412.50
Total net employment income	£38,952	£38,587.50
Plus rental income	£8,000	£8,000
Total net income	£46,952	£46,587.50

15. The total net income for Emily puts her into the threshold for a higher rate taxpayer. The taxable income and the income tax that is due at the basic rate and the higher rate also needs to be calculated.

2015/16 year	Position before remedy	Position after rollback
Total net income	£46,952	£46,587.50
Less personal allowance for year	£10,600	£10,600
Total taxable income	£36,352	£35,987.50
Income tax at 20%	£6,357	£6,357
Income tax at 40%	£1,826.80	£1,681

16. This same calculation will be repeated for each year of the remedy period, the pension contributions and the income tax will then be totalled for both the before and after positions.

2015/16 to 2021/22 years	Position before remedy	Position after rollback
Total pension contributions	£44,419.20	£47,096.25
Total income tax	£55,017.56	£54,024.50

17. The gross contribution adjustment is worked out by deducting the contributions that were paid from those that would have been due to the PPS 1987 scheme.

$$£47,096.25 - £44,419.20 = £2,677.05 \text{ (gross contribution adjustment)}$$

18. The tax relief adjustment is worked out by deducting the income tax that is due if Emily had paid contributions to the PPS 1987, from the income tax that she actually paid.

$$£55,017.56 - £54,024.50 = £993.06 \text{ (total tax relief adjustment)}$$

19. The net contribution adjustment that is payable is worked out by deducting the tax relief adjustment from the gross contribution adjustment.

$$£2,677.05 - £993.06 = £1,683.99 \text{ (total net contribution adjustment)}$$

20. The total net contribution adjustment will also have the appropriate amount of interest applied and this total amount will form the total contribution adjustment that Emily will need to pay,

21. The scheme manager will only be able to calculate the tax relief based on the salary from the police, if Emily had no other sources of income, this calculation would be correct.

How the scheme manager will estimate the tax relief

22. The scheme manager is only able to estimate the tax relief amounts as they are not aware of Emily’s personal tax position.
23. As she has received other income from her property rental during the remedy period, this means that her tax relief adjustment will not have been calculated correctly because the scheme manager will assume that she was a basic rate taxpayer.
24. The scheme manager will therefore have underestimated the amount of tax relief as follows:

2015/16 to 2021/22 years	Position before remedy	Position after rollback
Total pension contributions	£44,419.20	£47,096.25
Total income tax	£40,712.16	£40,176.75

25. The tax relief adjustment is worked out by deducting the income tax that is due if Emily had paid contributions to the PPS 1987, from the income tax that she actually paid.

$$£40,712.16 - £40,176.75 = £535.41 \text{ (total tax relief adjustment)}$$

26. The net contribution adjustment that is payable is worked out by deducting the tax relief adjustment from the gross contribution adjustment.

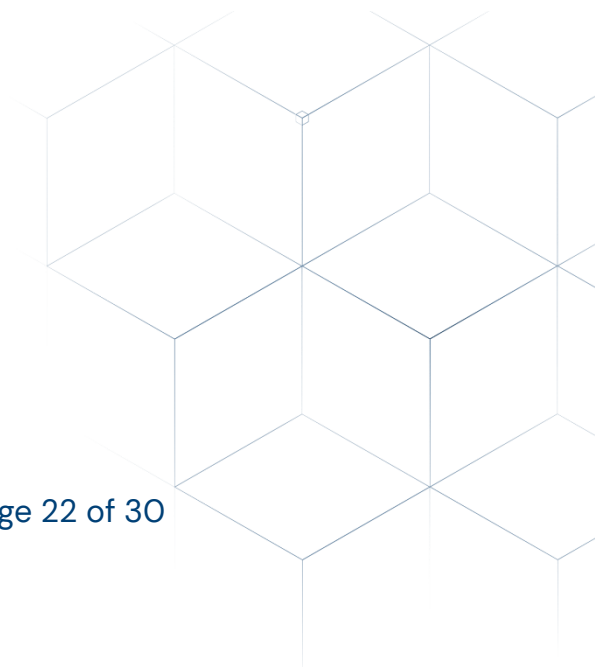
$$£2,677.05 - £535.41 = £2,141.64 \text{ (total net contribution adjustment)}$$

Action required

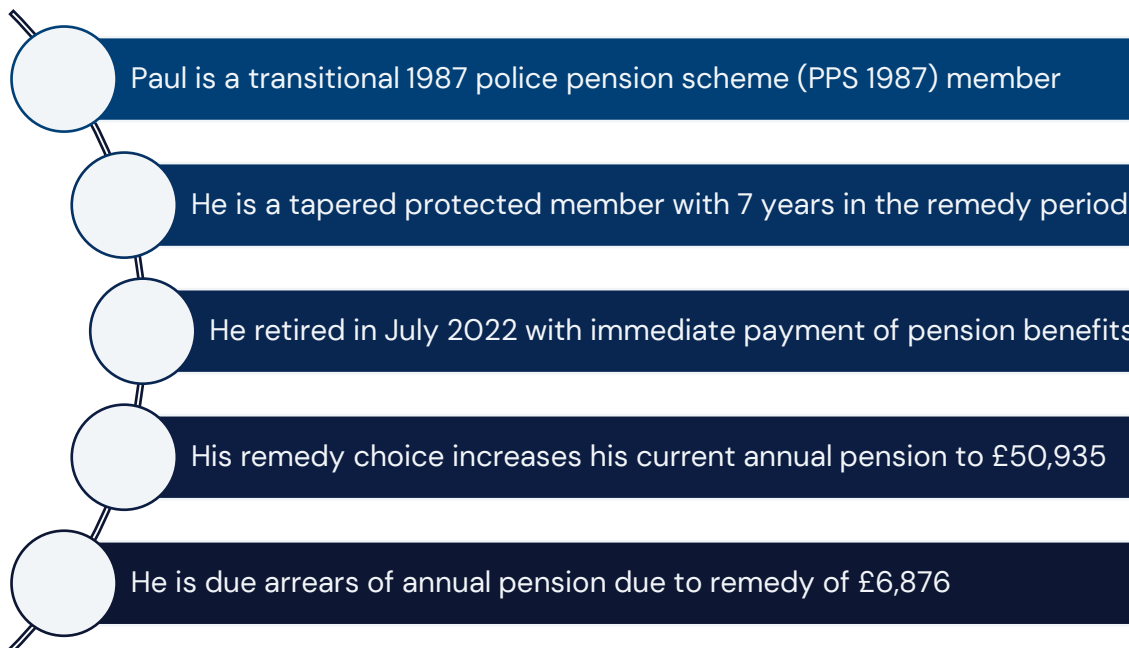
27. Emily will need to compare the tax relief that she should have received and compare it to the tax relief that the scheme manager has given her as follows:

Total contribution adjustment	True position	Scheme manager estimate
Gross contribution adjustment	£2,677.05	£2,677.05
Less tax relief adjustment	£993.06	£535.41
<b>Total net contribution adjustment</b>	<b>£1,683.99</b>	<b>£2,141.64</b>

28. As Emily has other income which the scheme manager will not be able to account for, the scheme manager will not be able to give her the right amount of tax relief and she would have to pay more for her contribution adjustment.
29. Therefore, Emily will need to appeal tax relief amount that has been determined by the scheme manager. She will need to provide details of her other income and supporting calculations to show what her actual tax position should be to enable her to get the correct amount of tax relief.
30. The scheme manager will review her appeal, and providing they have sufficient information, they will be able to update their records to show the correct net contribution adjustment, which will then have interest applied as applicable.



### Case study 3: Sergeant – Immediate choice member with arrears of pension



32. As Paul has made a remedy choice which has resulted in an increase in his annual pension, he is due an arrears of pension payment which will be treated and taxed in the normal way.

#### Default position

33. Paul makes his choice in the 2024/25 tax year and so the arrears of pension will be paid as a single payment in that tax year.
34. This means that it will be treated as pension income and income tax will be deducted automatically through PAYE, adding the arrears to other pension payments from the year to work out the taxable income.

Default position	2022/23	2023/24	2024/25
Salary (up to retirement date)	£16,979	N/A	N/A
Police pension benefits	£33,619	£44,590	£49,789
Arrears of pension benefits	N/A	N/A	£6,876
Total income	£50,598	£44,590	£56,665
Less personal allowance	£12,570	£12,570	£12,570
Taxable income	£38,028	£32,020	£44,095

35. The total tax liability can then be calculated for each of the years since Paul retired.

Default position	2022/23	2023/24	2024/25
Taxable income	£38,028	£32,020	£44,095
Income tax @ 20%	£7,540	£6,404	£7,540
Income tax @ 40%	£131.20	£0	£2,558
<b>Total tax liability</b>	<b>£7,671.20</b>	<b>£6,404</b>	<b>£10,098</b>

36. In many cases, this approach will give the right outcome, and no further action will be required.
37. This is not the case for Paul however, because by him receiving the arrears of pension as a single payment in the current year this has caused him to pay more tax than he should have done.

#### Alternative position

38. If Paul's benefits were recalculated on a year-by-year basis, the arrears of £6,876 will be spread across each of years between when Paul retired in 2022/23 up to when the payment is made in the 2024/25 year.

Alternative position	2022/23	2023/24	2024/25
Salary (up to retirement date)	£16,979	N/A	N/A
Police pension benefits	£33,619	£44,590	£49,789
Arrears of pension benefits	£2,292	£3,438	£1,146
<b>Total income</b>	<b>£52,890</b>	<b>£48,028</b>	<b>£50,935</b>
Less personal allowance	£12,570	£12,570	£12,570
<b>Taxable income</b>	<b>£40,320</b>	<b>£35,458</b>	<b>£38,365</b>

39. The alternative position for Paul will increase his taxable income in 2022/23 and 2023/24, but decrease it in 2024/25. This means that his total tax liability will also be changed for those tax years.

## NPCC – Personal tax and remedy

Alternative position	2022/23	2023/24	2024/25
Taxable income	£40,320	£35,458	£38,365
Income tax @ 20%	£7,540	£7,091.60	£7,540
Income tax @ 40%	£1,048	£0	£266
Total tax liability	£8,588	£7,091.60	£7,806

40. By spreading the arrears payment, Paul is making full use of his basic rate tax band, so more of his pensions income is taxed at 20%.
41. The summary of his default and alternative tax position confirms that although Paul has underpaid tax in the first two years, he has overpaid tax in 2024/25. This means that overall he has overpaid tax by £687.60.

Alternative position	2022/23	2023/24	2024/25
Default position	£7,671.20	£6,404	£10,098
Alternative position	£8,588	£7,091.60	£7,806
Total overpaid	-£916.80	-£687.60	£2,292

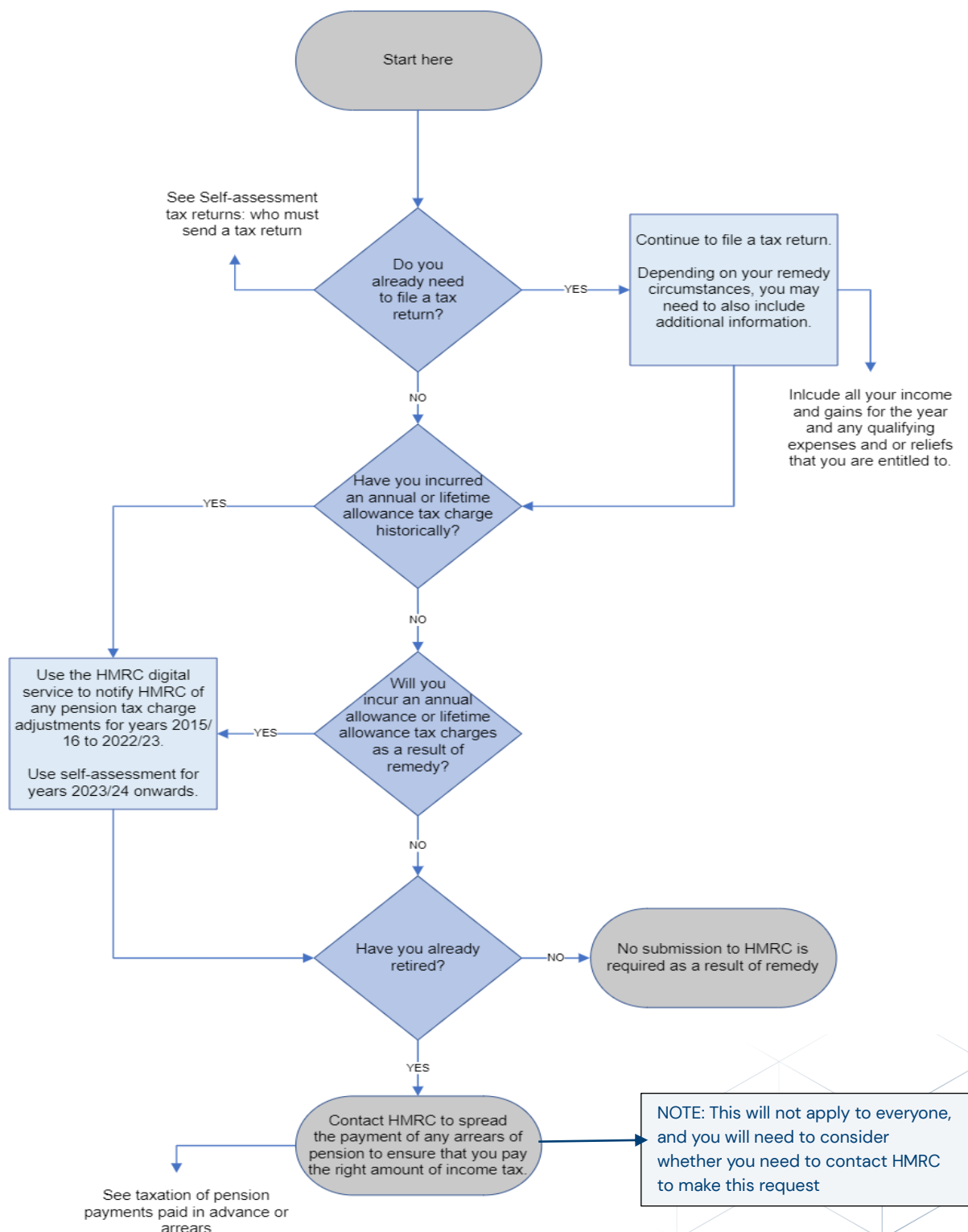
$$-£916.80 + -£687.60 + £2,292 = £687.60 \text{ (total overpaid tax)}$$

### Action required

42. Paul will therefore need to write to HMRC asking them to spread the payment of his arrears of pension payments so that he can make a saving of £687.60.
43. He will need to ask his administrator for a schedule of how the arrears of the gross pension payments relate to each tax year from the date of his retirement. He will need to send this to HMRC when he writes to them.
44. HMRC will be able to adjust Paul's tax record, and he should receive a tax refund of £687.60.

## Appendix B

### Identify if submissions to HMRC are required because of remedy



Self-assessment tax returns: who must send a return – <https://www.gov.uk/self-assessment-tax-returns/who-must-send-a-tax-return>

Taxation of pension payments paid in advance or arrears – <https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim75020>

## Glossary

Term	Description
Additional rate taxpayer	An individual whose 'top slice' of income is subject to tax at the additional rate.
Adjusted net income	Total taxable income before any personal allowances and less certain tax reliefs (such as gross personal pension contributions and donations made to charities through Gift Aid). Adjusted net income determines your entitlement to certain benefits, such as the personal allowance, child benefit, and tax-free childcare.
Advanced rate taxpayer (Scotland only)	An individual whose 'top slice' of income is subject to tax at the advanced rate.
Basic rate taxpayer	An individual whose 'top slice' of income is subject to tax at the basic rate.
Dividend allowance	The amount of dividend income you can receive tax-free per tax year (in addition to the personal allowance).
Dividend income	Income that includes dividends received from companies and unit trusts (N.B. dividends paid into an ISA or pension are tax-free).
Employment income	Earnings from employment including wages, salary, fees, gratuities, tips and other taxable employment-related benefits.
Gift Aid	An HMRC scheme which provides income tax relief on donations to charity. This allows the charity to claim an extra 25p for every £1 donated, by claiming back income tax at the basic rate from HMRC. If you pay income tax at a higher rate, you can claim extra tax relief from HMRC via self-assessment or an adjustment to your tax code.
High income child benefit charge (HICBC)	A charge which is applied to individuals currently earning (or whose partner earns) over £60,000 per annum, which 'claws back' some or all of the child benefit that they would otherwise be entitled to.
Higher rate taxpayer	An individual whose 'top slice' of income is subject to tax at the higher rate.
HMRC	His Majesty's Revenue and Customs – the government department that collects and administers taxes, benefits and customs duties in the UK.

## NPCC – Personal tax and remedy

Intermediate rate taxpayer (Scotland only)	An individual whose 'top slice' of income is subject to tax at the intermediate rate.
ISA	Individual Savings Account – a scheme allowing individuals to hold cash, shares and unit trusts which allow investment returns (income and gains) to build up free of income tax and capital gains tax. In the 24/25 tax year, the maximum amount you can contribute to ISAs is £20,000.
Marginal tax rate	The rate of tax you pay on your highest £1 of taxable income.
Net taxable earnings	Income earned in the tax year less pension contributions and any allowable expenses ( <a href="#">Claim tax relief for your job expenses: Overview</a> ). This is the amount of your salary that is subject to income tax.
NIC	National Insurance contributions.
Non-savings income	Income other than savings and dividend income. It includes employment income, rental income, pension income, income from self-employment, property income and partnership income.
Partnership income	Any share of profits received from a partnership.
Pay As You Earn (PAYE)	Electronic System that employers and pension providers use to deduct Income Tax and National Insurance contributions before they pay your wages/pension each month and pay them to HMRC on your behalf.
Pension income	Pension payments you receive(d) from the government when you reach State Pension age or from a private pension scheme.
Personal allowance	The amount of income you can receive tax-free per tax year.
Personal savings allowance	The amount of savings income you can receive tax-free per tax year (in addition to the personal allowance).
Property / rental income	Rental income from letting-out a property or land.

## NPCC – Personal tax and remedy

Savings / interest income	Income that includes interest earned from bank accounts, savings accounts, credit union accounts, building societies, corporate bonds, government bonds and gilts (N.B. investment income on ISAs and within pension funds is tax-free).
Scottish taxpayer	An individual who lives in Scotland and pays Scottish rates of tax. If you are/have been a Scottish taxpayer at any point then your tax code (which should be visible on your payslips and/or in 'PAYE Coding Notice' letters from HMRC) should start with an 'S'.
Self-assessment	A system HMRC uses to collect income tax that has not been deducted at source, through the submission of self-assessment tax returns.
Self-assessment tax return	The formal means of reporting all your income and gains which have arisen in a tax year to HMRC if you are in the self-assessment regime.  This can be found at: <a href="http://www.hmrc.gov.uk/forms/sa101.pdf">http://www.hmrc.gov.uk/forms/sa101.pdf</a>
Self-employment income	Income from a sole trade, which is a business you own and operate yourself (not through a company).
Starter rate taxpayer (Scotland only)	An individual whose 'top slice' of income is subject to tax at the starter rate.
Tax code / PAYE Coding notice	Code that allows an employer to deduct the correct amount of PAYE due, without knowing your personal circumstances (such as other sources of income, benefits etc).
Tax year	A UK tax year runs from 6 April to 5 April the following year. For example, the 2024/25 tax year runs from 6 April 2024 to 5 April 2025.
Top rate taxpayer (Scotland only)	An individual whose 'top slice' of income is subject to tax at the top rate.

## Version Control

Date	Author	Publication	Reason for change
24/07/2024	Claire Neale	V1	N/A
26/05/2025	Claire Neale	V1.1	Amendment to a typo on page 18

