



Oxfordshire Pension Fund

Scheme Pays Policy

Version: 2025

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Scheme pays is a mechanism that allows pension scheme members to have their Annual Allowance tax charge paid by the pension fund instead of paying it directly to HMRC, resulting in a reduction to their future pension benefits.

Annual Allowances

1. The annual allowance is the limit of the tax relief given on pension savings during any financial year. If pension savings exceed this allowance, then a tax charge is payable. The current limit is £60,000.
2. Where employees have an annual threshold income over the specified amount the annual allowance is tapered. For these scheme members every £2 of income above the specified amount will reduce their annual allowance by £1, although this cannot be reduced below £10,000.

Mandatory Scheme Pays

3. Where a member has exceeded the £60,000 annual allowance and incurred a tax charge of £2,000, or more they can elect for the Fund to pay part or full amount of tax due to HMRC on the basis that their future pension benefits will be permanently reduced.

Voluntary Scheme Pays

4. If agreed, this option could allow scheme members with tapered annual allowances to elect for the Fund to pay their tax charge over £60,000 to HMRC on basis that their future pension benefits would be reduced.
5. In both above options pension reductions are made in line with the factors issued by the Government Actuaries Department which are cost neutral to the Fund.
6. The mandatory and voluntary scheme pays applies to benefits accrued in the Oxfordshire Pension Fund only.

Administration

7. HMRC has different deadline for the payment of tax due under the above options and penalties for late payment is applied. To reduce administrative complications and avoid incurring any potential late payment charges it is suggested that for scheme members wishing to elect for voluntary scheme pays this election would be in line with the mandatory scheme pays option: -
- Tax charge must be more than £2,000
 - Election must be made by 30 November following tax year end
 - Payment of monies to HMRC by 31 January following tax year end

Fire Service Pensions

8. The option for voluntary scheme pays is also applicable for Fire-fighters within the Oxfordshire Pension Fund and applies to benefits accrued while employed by Oxfordshire Fire and Rescue Service.
9. The qualifying criteria for Voluntary Scheme Pays are:
- Members who have transitioned to the 2015 scheme with pension growth of over £60,000 across both schemes
 - Members who are subject to a tapered Annual Allowance
 - Members who may face a tax charge without being able to access Mandatory Scheme Pays because the deadline has passed, and who can justifiably prove that it was not through fault of their own
10. Voluntary Scheme Pays will not be permitted if the relevant deadlines for Mandatory Scheme Pays have been missed and the fault cannot be attributed to Oxfordshire Pension Fund