

Restoration

Frequently-Asked Questions (3)

Eligible members will be sent a letter setting out full details of their restoration payment in June 2022.

Most eligible members do not need to take any action and payments will be made automatically into bank accounts in October 2022.

But for some members there are additional considerations which they need to take into account, and they must check if they need to take any action before the payment is automatically made. The June letter contains the relevant details and where to find out more.

Section 3: The restoration payment and income tax

For answers to some of the other questions you may have, see the Restoration section of the website: www.bspensions.com > Library > Restoration

Over the coming weeks we will be adding to this list so do check back regularly to see if there have been updates.

1. How will the lump sum be taxed?

For most members, 25% (a quarter) of the lump-sum payment will be tax-free and the rest taxed as income.

If the amount of the Lifetime Allowance you have remaining is less than the amount of your lump-sum payment, there are some additional tax implications. If you think this may be the case or are not sure, please read the “Restoration: lump-sum or pension increase?” leaflet – available on our website at www.bspspensions.com > Library > Restoration – for more information and what to do next.

2. When will the lump sum be taxed? (Updated 6 July 2022)

The lump sum is to be taxed in the same manner as your monthly pension payment using your current tax code. For most members this should mean that the appropriate level of income tax is deducted at the point of payment. For some members, the lump sum payment could move them into a higher income tax bracket.

If you're on a week 1/month 1 tax code at the time of payment, you may initially pay too little income tax. In these circumstances, we would expect HM Revenue & Customs to look to recover any shortfall in tax from you.

After the payment is made, you will automatically receive written confirmation of the net amount you received, the tax deducted and details of the tax code used.

3. I am due to receive a pension increase - rather than a one-off lump sum – how will it be taxed?

The pension increase will be taxed as income in the same way as your regular pension.

It may be possible, depending on how much it is, that you may move to a higher income tax bracket.

4. I have a query about my tax code. Can you help?

Any queries relating to tax codes must be referred to HM Revenue & Customs. Their details are:

HMRC Revenue and Customs
Centre 1
East Kilbride
Glasgow
G79 1AA
Phone 0300 200 3300

You should tell HMRC your National Insurance number and the Scheme Reference number which is 961/084181X