

Pensions and tax: Income tax

Although saving for a pension is very tax efficient, once you start to take your pension as income, it is taxed in the same way as any other income.

The work we have been doing on Guaranteed Minimum Pension (GMP) could affect the amount of pension you receive. This, in turn, could affect the amount of income tax you pay.

This document gives an overview of how income tax affects your pension benefits. Please read it carefully.

Taxing pensions

You must pay income tax on all of the income you receive in a tax year (6 April to 5 April the following year) above your income tax personal allowance.

All the pensions you receive, including your State Pension, count as income for the purposes of your tax calculations.

The standard income tax personal allowance is currently:

£12,570
a year

It is currently intended to stay at this level until 2026. Some people may have a different income tax personal allowance – please see **Do you have a different income tax allowance?** on page 4 for more information.

Your GMP adjustment and income tax

If the adjustment gives you a higher pension

If the GMP adjustment to your pension means your pension is higher in the future, you could pay more income tax.



If the adjustment means you get a back payment

If you receive a one-off back payment as a result of the GMP adjustments, this is likely to increase the amount of income tax you pay in one tax year. The 'arrear' part of your back payment is classed as income and is subject to income tax.

It is possible that receiving a back payment could push you into a higher-rate tax bracket for the tax year meaning you might end up paying more income tax than you had anticipated. This depends on the amount of the back payment and what the rest of your income is. If this happens, please contact your Plan administrator using the details on page 6 to request a breakdown of your back payment. You may be able to

reclaim any additional tax you paid on the back payment from HMRC if it relates to previous tax years. Please note that the Plan administrator is unable to adjust your tax record or liaise with HMRC for you.

If you live outside the UK, the 'interest' part of your back payment is also classed as income and is subject to income tax. If you live in the UK, it is subject to the Personal Savings Allowance (PSA) and you will need to speak to HMRC to arrange to pay any tax due on these interest payments.

Your statement shows how much of your back payment is arrears and how much is interest.

Tax rates and allowances at a glance

Your annual income	Rate of income tax that you pay on your income (applies to the 'arrear' part of your back payment and the 'interest' part if you live outside the UK)	Rate of income tax that you pay on interest that you earn on your savings (applies to the 'interest' part of your back payment if you live in the UK)*
£0 - £12,570	0%	The first £1,000 of interest earned on your savings is tax free.
£12,571 - £50,270	20% Basic rate	
£50,271 - £150,000	40% Higher rate	The first £500 of interest earned on your savings is tax free.
Over £150,000	45% Additional rate	You will pay tax on all interest earned on your savings.

* If income tax is due on interest you earn on your savings, and you're employed or receiving a pension, HMRC will change your tax code so you pay the tax automatically. To decide your tax code, HMRC will estimate how much interest you'll get in the current year by looking at how much you got the previous year.

If you complete a Self Assessment tax return, you should report any interest earned on savings there.

Do you have a different income tax allowance?

Why your allowance could be higher

Your income tax personal allowance could be higher than the standard rate if you claim certain benefits, such as Marriage Allowance or Blind Person's Allowance.

Claiming Marriage Allowance

If you're married or in a civil partnership, you may be able to claim Marriage Allowance if:

- one of you has an income below the standard personal allowance of £12,570, and
- the other of you pays tax at the basic rate of 20%.

If you are the lower earner, you can transfer £1,260 of your personal allowance to your spouse. This would give them a total personal allowance of £13,830, which could reduce their tax bill by up to £252 in a tax year. Find out more about Marriage Allowance at www.gov.uk/marriage-allowance

Claiming Blind Person's Allowance

This gives you an additional income tax personal allowance of up to £2,870 in the 2023-24 tax year, meaning your total tax allowance could be £15,440 in this tax year.

You can transfer this allowance to your spouse or civil partner if you don't pay tax or earn enough to use all of your allowance. Find out more about Blind Person's Allowance at www.gov.uk/blind-persons-allowance

Why your allowance could be lower

Your income tax personal allowance could be lower if you earn more than £100,000 in a tax year. Your allowance decreases by £1 for every £2 of income over £100,000. This is based on your adjusted net income, which is all of your taxable income less some forms of tax relief, including:

- trading losses,
- charity donations you made through Gift Aid (where you can claim back the higher-rate tax), and
- pension contributions paid without tax relief, or where your provider has taken off the basic-rate tax and you can claim it back.

If your adjusted net income is £125,140 or more, your income tax personal allowance goes down to zero.

Find out more about adjusted net income at www.gov.uk/guidance/adjusted-net-income



Help and advice

Important

Tax can be a complicated, technical subject and we have only given a high-level summary here. Nothing in this leaflet should be considered financial advice. You should consider taking independent financial advice from a regulated financial adviser if you are not sure how your GMP adjustment could affect your tax position.

If your question is simple, you may be able to get help with your tax position from HMRC. Visit the government website at www.gov.uk/tax-help

If your tax position is more complicated, you may want to consider hiring an accountant to help you.

The Unbiased website has an article on choosing an accountant, including a list of questions to ask one you're thinking of using. Visit www.unbiased.co.uk/life/get-smart/accountant

Unbiased can also provide contact details for accountants in your area. You can search by postcode at www.unbiased.co.uk/advisers

Family and friends may also be able to recommend accountants they use.

You should ask any accountant you are thinking of using about their experience of giving tax advice, as well as their fees and qualifications.

Although accountants are not legally required to hold any qualifications, many are qualified through one of the recognised UK bodies such as ICAEW, ICAS, CIMA or ACCA. Some accountants are also chartered, which is an internationally-recognised level of professional standing.

If you are on a low income, the charity TaxAid may be able to help. Visit www.taxaid.org.uk



What you need to do

If you have questions about how our work on GMP affects your tax position, please contact your Plan administrator.

Contact WTW if you're a member of The GSK Pension Plan, SmithKline Beecham Pension Plan or SmithKline Beecham Senior Executive Pension Plan.



Phone: 01737 227563



From overseas: +44 1737 227563



Email: GSKpensions@willistowerswatson.com



Write to: The GSK Pensions Administration Team,
WTW, PO Box 545, Redhill, Surrey, RH1 1YX

Contact Barnett Waddingham if you're a member of the Stiefel Section of the SmithKline Beecham Pension Plan (formerly the Stiefel Laboratories (UK) Limited Retirement Benefits Scheme).



Phone: 0333 111 1222



Email: Stiefel@barnett-waddingham.co.uk



Write to: SmithKline Beecham Pension Plan, Barnett Waddingham,
Decimal Place, Chiltern Avenue, Amersham, Bucks, HP6 5FG