

Fact Sheet 1 - Contributing to the MW SIPP 2

You may only make contributions to your SIPP if you are UK resident or a Crown Servant. If you fulfil those criteria, you make unlimited contributions to your SIPP. But you will only get tax relief on contributions you make in any particular tax year up to certain limits.

Limit on tax relief

If in a tax year you have what are called 'Relevant UK Earnings' then you can make gross contributions up to the level of those earnings and get tax relief, subject to an Annual Allowance for that tax year (see below). (General Point 5 below explains what we mean by 'gross' when contributing to the SIPP).

This is an aggregate limit that applies to the contributions you make to all registered pension schemes of which you are a member (including any occupational pension scheme). Any contribution made on your behalf by another person (including your employer) also counts towards this limit (see General Points 2 and 3 below).

'Relevant UK Earnings' are defined as:

- employment income (including salary, wages, bonus, overtime and commission providing it is chargeable to tax under Section 7(2) ITEPA 2003),
- income which is chargeable as trading income and is immediately derived from the carrying on or exercise of a trade, profession or vocation (whether individually or as a partner in a partnership), or
- patent income (to which s833(5B) Income and Corporation Taxes Act 1988 applies).

Earnings that are not chargeable to income tax in the United Kingdom by virtue of a double taxation agreement are not 'relevant UK earnings'.

If you have 'relevant UK earnings' in a tax year that are less than £3,600, or you do not have any such earnings at all, then you can make gross contributions of up to £3,600 in that tax year and get tax relief if you are still what is called a 'relevant UK individual' (defined below). Again, this is an aggregate limit that applies to the contributions you make to all registered pension schemes of which you are a member (including any occupational pension scheme).

You will be a 'relevant UK individual' in any given tax year if:

- you have 'relevant UK earnings' chargeable to income tax in that tax year,
- you are resident in the United Kingdom at some time during that tax year,
- you were resident in the United Kingdom, both at the time you joined the relevant registered pension scheme you are contributing to and at some time during the five tax years preceding the given tax year, or
- you have earnings from overseas Crown employment subject to United Kingdom tax in that tax year, or your spouse or civil partner has such earnings.

The Annual Allowance

Each tax year, HM Revenue & Customs (HMRC) impose an 'Annual Allowance' on the level of tax relievable pension savings you can benefit from in that tax year. This is an aggregate measure over all the registered pension schemes of which you are an active member in that tax year, and not just the MW SIPP.

The Annual Allowance is £50,000 for tax year 2011/12 and will remain at that level for future years. The level of the Annual Allowance will be reviewed from 2015/16.

It is possible to carry forward any unused tax relief for up to 3 years. So if total contributions made on your behalf were £50,000 in 2008/09, £30,000 in 2009/10 and £50,000 in 2010/11, you could contribute up to £70,000 in tax year 2011/12 and get full tax relief at your marginal rate on the whole contribution of £70,000. For the purposes of carrying forward unused tax relief, the maximum allowed for years prior to 6th April 2011 will be £50,000 i.e. for tax year 2010/11 the maximum allowed for the purposes of carrying forward unused tax relief beyond 5th April 2011 is £50,000, not £255,000, which was the Annual Allowance for that year..

The contributions you (and/or your employer) make to the SIPP will count towards this Annual Allowance. If the Annual Allowance is breached in any tax year, you will be liable to a tax charge on the excess.

General points on claiming tax relief on contributions to the MW SIPP 2

1. If you are a member of an occupational pension scheme, it does not mean you cannot contribute to the MW SIPP 2 in respect of your earnings from that employment. They are still 'relevant UK earnings'. But any contribution you personally make to that scheme will count towards your overall limit on tax relievable contributions.

For example, if your 'relevant UK earnings' in a tax year are £50,000 and you contribute £5,000 to an occupational pension scheme, then you will only personally be able to make gross contributions of £45,000 to any other registered pension scheme and get tax relief.

2. Any contributions made by your employer to the MW SIPP 2 do not count towards your limit on tax relievable contributions. However, any contributions your employer makes to the MW SIPP (or indeed on your behalf to any other registered pension scheme) will count towards your Annual Allowance each tax year (see Fact sheet 2).

For example, if your 'relevant UK earnings' in a tax year are £30,000 and your employer makes a £10,000 contribution then you could still contribute £30,000 and get tax relief.

3. An individual (other than your employer) may make a contribution to the MW SIPP 2 on your behalf. Such a contribution would be treated for tax purposes as if you had made it (so it would count towards your relievable limit and Annual Allowance). Any tax relief given would be based on your earnings for that tax year (so higher rate relief would only be available if you yourself were a higher rate tax payer in that year).
4. Any contribution you make on or after your 75th birthday will not attract tax relief, whether or not you have 'relevant UK earnings' or are still a 'relevant UK individual'.
5. The maximum tax relievable contributions determined as above are the **gross** amount that may be paid in the tax year. **All of your personal contributions to the MW SIPP 2, however, are paid net of basic rate tax at the rate applicable in the tax year of payment.** On a monthly basis, the Scheme Administrator will then claim the basic rate relief deducted direct from HMRC. This reclaimed basic rate tax cannot be invested until received by the Scheme Administrator. Thus with a basic rate of 20%, the actual amount you would need to pay to make a £3,600 contribution would be £2,880.

You must claim any higher rate relief due direct from HMRC via your annual tax return.

All employer contributions are paid **gross**.

6. Before we can accept a net contribution as above, and claim the basic rate tax due from HMRC, new members must sign the declaration located in Part 13 of the main application form. Here you declare that, in any tax year, you will not claim tax relief on contributions you make to any registered pension scheme that exceed your relievable limit (based on your 'relevant UK earnings' for that tax year, or £3,600 where relevant). **It is your responsibility to ensure that you advise us whether or not any part of your contribution to the MW SIPP 2 may not be allowable for tax relief. If any contributions made are subsequently disallowed for tax relief purposes, we will make any tax payments to HM Revenue and Customs on the due date out of the assets of your MW SIPP 2.**

You must tell us if you intend making a contribution to the MW SIPP 2 over and above your relievable limit. You also must tell us if you cease to be eligible to claim tax relief (or cease being a 'relevant UK individual') or it turns out that contributions you have made that attracted tax relief should not have received that relief (for example, if your expected earnings/profits for the year are not as large as you expected).

Fact Sheet 2 - The Annual Allowance and the MW SIPP 2

Each tax year, HM Revenue & Customs (HMRC) set an 'Annual Allowance' on the level of tax relievable pension savings you can benefit from in that year. This is an aggregate measure over all the registered pension schemes of which you are a member in that tax year, and not just the MW SIPP 2. For the 2011/12 tax year it is £50,000 and will then remain at that level for future tax years.

What counts against your Annual Allowance

The following count against your Annual Allowance:

1. any contributions you make to a registered pension scheme that attract tax relief, plus
2. any contributions made by another individual on your behalf (eg a parent or grandparent on behalf of a child or grandchild, plus
3. any contributions made by your employer on your behalf

Note: The contributions made to a scheme in a tax year will not necessarily count towards your Annual Allowance for that tax year. Some may count towards the next tax year's allowance (see comments under 'your pension input period' below).

If you are an active member of an occupational pension scheme, there is a different measure for valuing the effective level of pension savings attributable to you for Annual Allowance purposes. The administrator of that scheme will be able to provide you with details.

What happens if you breach your Annual Allowance in a tax year

If you breach the Annual Allowance in any tax year you will become personally liable to a 40% charge on the excess.

You would be obliged to declare any liability to an Annual Allowance charge to HMRC through your self assessment return.

A liability to an Annual Allowance charge does not mean that any relief granted (or due) on any contributions previously made is lost. You do not become liable to a 40% charge on such contributions nor lose any tax relief previously granted.

Your 'pension input period'

Contributions made to a scheme in a tax year will not necessarily count towards your Annual Allowance for that tax year.

Under every scheme of which you are a member there will be what is called a 'pension input period'.

Under the MW SIPP 2 your first 'pension input period' will start from the date (on or after 6th April 2006) on which contributions are first made to the scheme by you, or on your behalf. Normally these periods last for 12 months and run on from each other consecutively.

Any contributions made to the MW SIPP 2 in a 'pension input period' (other than any you make that do not attract tax relief) count against your Annual Allowance for the tax year in which that period ends. This includes any contributions your employer makes on your behalf in this period (whether or not the employer gets tax relief on those contributions). As an example, if your first 'pension input period' started on 1st January 2011 and ran for the next 12 months, it means that your first 'pension input period' would end on 31st December 2011, which is in the 2011/12 tax year. Therefore, every (relevant) contribution made to your MW SIPP 2 in that calendar year period i.e. from 1st January 2011 to 31st December 2011, would count against your Annual Allowance for the 2011/12 tax year; none would count against your allowance for the 2010/11 tax year.

Unless you tell us otherwise, your first and subsequent 'pension input periods' under the MW SIPP 2 will be aligned by us to run with the tax year start and end dates (so your first period will end on the 5th April following the first contribution and hence will last less than 12 months. Subsequent periods will run from 6th April to 5th April). We will do this at the end of the current tax year.

This means that in any tax year, any contributions made to the MW SIPP 2:

- by you (or another individual on your behalf) where tax relief is due, and
- any employer of yours,

will all count towards your Annual Allowance for that tax year

Changing your 'pension input period'

It is possible to change your 'pension input period' under the MW SIPP 2, provided you tell us in writing in advance of the proposed new end date of your current 'pension input period'. It is not possible to extend a 'pension input period' beyond 12 months or change a 'pension input period' twice in the same tax year (so that you would end up with two periods ending in the same tax year).

You may, for example, want to change the timing of this period to mirror

- the 'pension input period' under any other scheme you of which are a member, or
- your company / business accounting period, or
- your scheme renewal timing under the MW SIPP 2.

If you change your 'pension input period' this will mean that not all the contributions you make in each tax year to the MW SIPP will count against the Annual Allowance for that tax year; some will be counted against the following year's Annual Allowance.

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Information we will provide you

On the anniversary of you joining the MW SIPP 2 we will send you an annual valuation report and we will do this every year whilst you are still have an MW SIPP 2. This report will include details of the contributions made to the MW SIPP 2 and confirm your 'pension input period' under the scheme for Annual Allowance purposes.

If you are an active member of any other registered pension scheme you will need to contact the administrator of that scheme to see what will count under that scheme towards your Annual Allowance in a tax year.

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