



Pension penalty trap: don't be an unwitting victim

All dentists over 50 who have an NHS pension are urged by Nick Ledingham, Chairman of NASDAL, to make sure they aren't inadvertently penalised by changes in the pension rules. His advice to dentists who haven't yet received a Pensions Saving Statement is to contact NHS Pensions and apply for one.

Nick explains that a potential penalty could arise for some dentists as a result of the Government's reduction in the Annual Allowance – the amount that can be paid into a pension - from £255,000 to £50,000. Because the profession hasn't had to be wary of exceeding their pension limit before Nick is concerned there may be some unwitting victims.

"Some dentists may think they don't pay in as much as £50,000 annually but complex formulae are employed to calculate the annual input into the pension. These formulae or dynamising factors inflate the worth of the payments so that the contributions are deemed to be much higher than what is actually paid in."

Nick said that those dentists with a significant commitment to the NHS and whose deemed pension contributions are more than £50,000 don't have to worry as they will receive a letter from NHS Pensions alerting them to the over-payment. They then have the opportunity to choose to pay HMRC a penalty charge which effectively postpones the payment to retirement.

But there is a Catch 22, said Nick. Only those dentists whose Lifetime Allowance has grown by more than £50k in a year will get the letter. Dentists who are making contributions to the NHS Pension Scheme where the deemed value of the contributions is less than £50k but who may also be making private pension contributions which would take them over the £50k limit, will not automatically be notified. The danger is that dentists in this category will submit an inaccurate tax return and then be liable for both penalties and interest.

Dentists who have paid more than £50k into their pensions in the last tax year have until 31st January 2014 to choose whether to pay an HMRC penalty charge or to wait until they retire, he said. However, if you do not declare the over-payment on your tax return, HMRC could make you subject to fines and penalties.

Note to editors

For more information, contact Caroline Holland on 020 8679 9595 or 07974 731396