

Changes to tax relief for pension savings Some questions you may have

Annual Allowance

Will the reduction in the Annual Allowance affect my KPS-MP benefits?

From 6 April 2014, the amount of contributions that can be made into your Retirement Account each year, without incurring a tax charge (i.e. the Annual Allowance), will reduce from the current level of £50,000 to £40,000.

The reduced Annual Allowance rules apply to everyone for every year they make pension savings. However, the Annual Allowance changes will only affect you if your pension savings are more than £40,000 in any one year (or the Pension Input Period). Even if your pension savings are more than £40,000 within the Pension Input Period, if you have not used all your Annual Allowance in the last three tax years, you may find you do not have an Annual Allowance tax charge.

The KPS-MP's Pension Input Period runs from 1 April to 31 March of each year.

If you contribute to other pension arrangements the Pension Input Period may not be the same as the KPS-MP's Pension Input Period. You should therefore contact your other pension arrangements requesting confirmation of this.

How do I work out the amount of my annual pension savings?

As a member of KPS-MP (which is a money purchase scheme) you and the Company pay pension contributions as a percentage of your Basic Pay, plus any Additional Voluntary Contributions (AVCs) into your Retirement Account over the Pension Input Period. Your total pension savings made within the Pension Input Period is the overall amount of pension contributions paid by both you and the Company. Please note investment returns do not count towards your pension savings.

You can check your Pension Input Amount for the 2012-2013 tax year by referring to your 2013 Benefit Statement, under heading 'Total Pension Input Amount for 2012/2013 tax year'.

You can also access your personal Zurich Corporate Pensions account online and within the 'Payments made' section you can identify the monthly pension contributions you and the Company have made. Please note you will need your personal User Number and Password to gain access to your account.

How can I maximise tax efficiency for my pension savings?

If you have not done so already, you may wish to review the pension savings you have made over the last few years as it may be possible to reclaim some unused tax relief from the last three years.

As the new limits do not apply until 6 April 2014, you have the opportunity to make pension savings totalling £50,000 within this tax year, subject to any Lifetime Allowance restrictions. It will also be possible for you to carry forward unused Annual Allowance of up to £50,000 for the 2011/12, 2012/13 and 2013/14 tax years. This is in line with the current ability you have to carry forward any unused allowance for the three previous tax years. Effectively, any unused Annual Allowance carried forward serves to increase your available Annual Allowance.

What if I pay more than the Annual Allowance limits?

If your total pension savings over the Pension Input Period exceed your available Annual Allowance, then you will be liable for a tax charge. This tax charge is levied on the excess of pension savings over your

available Annual Allowance, and is at your marginal rate of income tax. In effect the excess is treated as additional taxable income. For example, if your taxable income is more than £150,000 in a year, so that you pay tax at 45% on the top slice, your Annual Allowance charge will be at the rate of 45%.

If I pay more than the Annual Allowance, how do I meet the tax charge?

If you are liable to pay an Annual Allowance charge, you will need to complete a self-assessment tax return. If you complete the return online, the amount of tax you need to pay will be calculated for you.

Your tax liability can be met in two ways:

- You can pay the tax yourself.
- Subject to meeting certain criteria, you may ask the Trustee of the Kingfisher Pension Scheme to pay some or all of the charge relating to your KPS benefits (your benefits under the Scheme being reduced accordingly). If this is an option you would like to explore, then please contact the Kingfisher Group Pensions Department on 08456 807060 or by emailing pensions@kingfisher.com.

Lifetime Allowance Changes

How do I know if I am near the Lifetime Allowance?

You should consider the value of all your personal and company pensions. The percentage of Lifetime Allowance used is dependent on the capital value of your pension benefits.

There are different ways to calculate the capital value of your pension benefits depending on the source:

- I. Defined benefit (or final salary) benefits are given a capital value by multiplying the annual pension by 20;
- II. The value of defined contribution (or money purchase) benefits is the total fund value;
- III. The capital value of a cash sum payable after 6 April 2006 is the value of the cash payable; and
- IV. Pensions in payment before 6 April 2006 are given a capital value by multiplying the annual pension by 25.

What happens if I exceed the Lifetime Allowance?

If you exceed the Lifetime Allowance you can:

- Take the excess as a lump sum before age 75, less a 55% Lifetime Allowance charge, provided you have the Company and Trustee consent; or
- Use the excess, less a 25% Lifetime Allowance charge, to provide pension

Remember, pension income is taxable. For example, the combination of 40% income tax and a 25% Lifetime Allowance charge could be broadly equivalent to a 55% Lifetime Allowance charge.

How can I protect myself against the Lifetime Allowance tax charge?

When the Lifetime Allowance was introduced, and each time it was reduced, it was possible to apply for protection against a potential Lifetime Allowance charge. If you have applied, you will have received a certificate from HM Revenue & Customs (HMRC). Please note, if you have enhanced or primary protection you will have only one certificate.

You will similarly have the opportunity to apply for protection before the change this year.

What are the various types of protection?

There are various types of protection which have been made available in the past or are/will be available to you. These are as follows.

- **Primary Protection** You will have had to apply for this before 6 April 2009.
- **Enhanced Protection** You will have had to apply for this before 6 April 2009.
- **Fixed Protection** You will have had to apply for this before 6 April 2012.
- **Fixed Protection 2014** You will need to apply for this before 6 April 2014.
- **Individual Protection 2014** You will be able to apply for this from 6 April 2014.

How does fixed protection 2014 work?

In broad terms, fixed protection 2014 will allow you to keep a Lifetime Allowance of £1.5 million, but on condition that (subject to very limited exceptions) you do not make any further pension savings. However fixed protection 2014 means your Lifetime Allowance will be fixed at £1.5 million rather than the standard Lifetime Allowance, which will be £1.25 million from 6 April 2014. This also means you can take pension savings worth up to £1.5 million without paying the Lifetime Allowance charge.

You will need to apply before 6 April 2014 to get fixed protection 2014.

Who can apply for fixed protection 2014?

Anyone who does not already have fixed protection, primary protection or enhanced protection can apply for fixed protection 2014. You do not need to have already built up pension savings of more than £1.25 million to apply. But bear in mind that a condition of fixed protection 2014 is that (broadly) you do not make further pension savings

If you want to apply for fixed protection 2014 then you must meet certain conditions. These are that on 6 April 2014 you

- are a member of a registered pension scheme
- do not have primary protection
- do not have enhanced protection, and
- do not already have fixed protection.

What happens once I have received the fixed protection 2014?

Once you have fixed protection 2014 there are restrictions on what you will be able to do with your future pension savings. For example, you will normally need to stop building up benefits under every registered pension scheme that you belong to by 5 April 2014.

It is therefore important you give your employer, the Kingfisher Group Pensions Team and any other pension arrangements enough notice should you need to stop your active membership.

If you leave this notification to the last minute then your accrual or contributions may not cease before 6 April 2014. If this does occur then you may not be able to rely on fixed protection going forward. As a result your Lifetime Allowance will revert back to the standard Lifetime Allowance of £1.25 million, and if your benefits are worth more than this when you take them you will be liable to a Lifetime Allowance charge.

What are the conditions for fixed protection 2014?

You will lose your fixed protection 2014 if you:

- have a contribution paid to any of your money purchase pension arrangement;
- build up new benefits in a defined benefit or cash balance pension pot above a set amount;
- join a new pension scheme - unless you are only transferring pension savings from one of your existing schemes into the new scheme; or
- start saving in a new pension pot either under an existing pension scheme or a new pension scheme

Please note a contribution paid to a money purchase arrangement before 6 April 2014, but which falls in a Pension Input Period that ends on or after 6 April 2014, will not cause the loss of fixed protection 2014.

In terms of the KPS-MP, you must ensure that the final contribution you pay into the KPS-MP is the contribution deducted from your March 2014 pay. You will therefore need to ensure you provide the payroll department sufficient notice to cease your contributions in good time.

What is individual protection 2014?

In broad terms, individual protection will be available to you if, as at 5 April 2014, the value of your pension savings exceeds £1.25 million. It will entitle you to an individual Lifetime Allowance equal to the value of your savings at that date (capped at £1.5 million).

The details of individual protection 2014 are still being finalised but it is expected that:

- it will give you a Lifetime Allowance equal to the value of your pension rights on 5 April 2014 - up to an overall maximum of £1.5 million.
- Individual protection 2014 is only available where pension benefits are worth more than £1.25 million
- you will not lose individual protection 2014 by making further savings in to your pension scheme
- any pension savings in excess of your Lifetime Allowance will be subject to a Lifetime Allowance charge
- you will be able to apply for individual protection 2014 even if you have already continuing entitlement to enhanced protection or fixed protection 2012. These other forms of protection will take precedence for you until such time as they are lost or given up by you.
- you will not be permitted to apply for individual protection 2014 if you already have primary protection; as your existing protection will already exceed the maximum available under individual protection 2014.

It is expected the application forms for individual protection 2014 will be available mid-August 2014 and will need to be submitted to HMRC by 5 April 2017.

You can hold both fixed protection 2014 and individual protection 2014 but you can't apply for them at the same time.

What type of protection should I take?

If you are unsure of the value of your pension savings and do not know whether you need a form of protection the Kingfisher Group Pensions Team can provide relevant information, but for advice you should speak to an independent financial adviser.

You can also use the HMRC's Lifetime Allowance checking tool to help you decide whether to apply for fixed protection 2014 and/or individual protection 2014. This can be located at <http://www.hmrc.gov.uk/tools/lifetimeallowance/index.htm>.

You should take into consideration the following factors when deciding which form of protection to apply for:

- whether you expect your pensions savings to be over £1.25 million when you take your benefits;
- whether you have any other form of protection;
- the capital value of all your pension benefits; and
- whether you intend to continue to save into a pension arrangement

Please note neither Kingfisher Group Pensions Team, the Trustee nor your employer will be able to provide financial advice. We therefore recommend you seek independent financial advice should you wish to apply for protection.

How do I apply for the types of protection available?

You can only currently apply for fixed protection 2014, and this can be done at <http://www.hmrc.gov.uk/pensionschemes/fp14online.htm>. You must do this before 6 April 2014. Applications received by HMRC after 5 April 2014 will not be accepted as the fixed protection 2014 legislation does not allow HMRC to accept late applications. The only information you will need to supply is your name, National Insurance number and address. You must also declare that you do not hold any other forms of transitional protection.

Once your application has been accepted by HMRC, they will send you a certificate confirming you are entitled to fixed protection 2014 (subject to the conditions outlined previously). This certificate will have a unique reference number.

Once the Kingfisher Group Pensions Team has received further information regarding how you can apply for individual protection 2014, further information will be released.

REMEMBER

You should still take this announcement into account if

- you are a few years away from retirement,
- your pension contributions are substantial; and
- you are experiencing good investment growth,

You may inadvertently breach the Lifetime Allowance sometime in the future and this could result in you paying a tax charge of up to 55% on any excess above the Lifetime Allowance if taken as a lump sum.

Please therefore ensure you have reviewed your current pension arrangements so you do not unintentionally breach the Lifetime Allowance or Annual Allowance.

Before making any decision you should also refer to the guidance on the HM Revenue & Customs website at <http://www.hmrc.gov.uk/pensionschemes/aa-la-statements.htm> for Annual Allowance information and <http://www.hmrc.gov.uk/pensionschemes/pension-savings-la.htm> for Lifetime Allowance information.

This fact sheet is based on our understanding of current and proposed legislation as at 11 December 2013, which is subject to change. It is a brief summary that cannot cover all relevant terms. Any tax benefits or charges will depend on your circumstances. Some of the options available to you may require Company and Trustee consent. If you are at all unsure you should seek independent financial advice.