PROTECTED PENSION AGE (PPA) AND TAX IMPLICATIONS

Protected Pension Age

Members taking a pension and/ or lump sum benefit before normal minimum pension age are liable for a tax charge, unless they retire on the grounds of ill health. From 6 April 2010, the normal minimum pension age was increased from age 50 to age 55.

However, individuals paying into a scheme that allowed members to take their benefits without consent before the age of 55 were entitled to keep their earlier normal minimum pension age, providing that they were a member of that scheme on 5 April 2006[1]. This is known as the member's Protected Pension Age (PPA).

The Firefighter's Pension Scheme 1992 has a protected pension age of 50 with at least 25 years' service, therefore benefits can be paid from age 50 without additional tax charges. There is no requirement for a member to register this protection with HMRC, it applies automatically.

PPA can be lost in the circumstances outlined below and is automatically lost where the main purpose (or one of the main purposes) for early entitlement to benefits is to avoid paying tax or national insurance contributions.

Loss of Protected Pension Age: Re-Employment

A protected pension age can be lost if the member does not comply with certain rules on or after retirement. If a member is re-employed by a sponsoring employer or by a body or person connected to a sponsoring employer the member may lose their PPA and become subject to tax charges.

Loss of Protected Pension Age: Concurrent Employment

If a member holds both a regular and a retained firefighter role, at any Fire & Rescue Authorities, they must leave the retained post before or at the same time as the regular post, or the entitlement to PPA is lost. This is because, after becoming entitled to their pension, they are still employed by a sponsoring employer*.

***Sponsoring Employer:**
A sponsoring employer in relation to an occupational pension scheme is any employer who participates in that scheme, i.e. they employ members of the scheme. There can be more than one sponsoring employer in relation to an occupational pension scheme. Therefore, **any FRA or other employer such as a Local Authority council that pays active members of the Firefighters' Pension Scheme 1992 is a sponsoring employer.**

[1] Different historical rules may apply for higher ranking officers.

[2] Break in employment means the employee is required to leave continuous service with (one or more) Authorities before taking up a new position.

[3] "To be a materially different employment, the duties and/or the level of responsibility in the new employment must be different from those in the old employment." HMRC Pensions Tax Manual PTM062230

Effect of Losing Protected Pension Age

If protected pension age is lost the following tax charges apply:

- Commutation lump sums are subject to a full tax charge of 55% of the total amount.
- Pension payments are subject to 40% tax up to normal minimum pension age of 55 (no PAYE is payable).

Keeping a Protected Pension Age

If one of the following conditions is met, a PPA may be kept upon re-employment:

- a break in employment[2] of at least six months
- a break in employment of at least one month and scheme rules provide that benefits may be abated
- a break in employment of at least one month and the re-employment is materially different[3] (for a minimum period of six months).

A member re-employed from operational to support staff would keep their PPA following a one month break as this is materially different, but regular to retained Firefighters would not unless there is a one month break and the pension paying authority make the necessary abatement checks.

A member with both regular and retained employment can leave both posts and be re-employed as a retained with any FRA and keep their PPA if the above conditions are met.

- For more on abatement, please see the abatement factsheet

If you have any queries or concerns regarding your personal position or anything mentioned in this fact sheet please contact your Fire and Rescue Authority's Pension Administrator. This information is for general guidance only and everyone's personal circumstances will vary.

Should you have any concerns regarding your protected pension age and HMRC rulings you are advised to contact an independent tax advisor as your pension provider cannot give individual tax advice on such matters.

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