21 September 2022

Explanatory notes on the BMA’s pensions asks

1. Due to a defect in Section 235 of the Finance Act, doctors are being charged huge annual allowance charges in 22/23 due to a disconnect between last year’s inflation (3.1%) and this year’s inflation (likely to exceed 11%). The intention of the Finance Act is to only measure growth above inflation, but due to rapidly changing inflation, this is no longer being achieved. Some doctors will receive tax bills for over half of their post-tax income for this non-existent growth. As section 235 of the Finance Act only applies to Defined Benefit schemes, this does not occur with other pensions.

2. Due to a further defect in the Section 234 of the Finance Act, and the fact that public sector workers are now typically in two pension schemes (an old "final salary" scheme and a new "career average scheme" with later retirement age at state pension age), negative growth in one scheme is currently "ignored" by the Finance Act if one or both of the schemes decreases in value, which is also more common in rapidly changing inflation. Again, this needs urgent rectification as currently doctors are being charged for pension growth they will never receive. This does not occur outside the public sector.

3. Both of these defects in the Finance Act (Section 234 & Section 235) need urgent amendments as debated in Parliament by Dr. Dan Poulter MP in July 2022.

4. A tax unregistered scheme, like the one given to the judiciary in 2021, is fair to taxpayers and also doctors. Doctors would not get tax relief on the payment into the pension scheme, and therefore there is no requirement to test this pension against the annual and lifetime allowance. This would mean doctors could work as many hours as they wish, and retire as late as they want, without fear of punitive tax charges currently driving doctors towards reducing hours and early retirement.

5. Both the BMA and Government have previously twice rejected "pension flexibility" at consultation. The BMA strongly believes "flexibility" will not solve the current issues, and indeed will make an already extremely complicated scheme even more so.

6. The BMA would welcome the decision for all trusts to offer the "recycling" of the full value of the employers’ contribution (less employers NI contributions), for those forced out of the scheme by pension taxation. The Health & Select Committee said in July 2022 that it is a "national scandal that senior doctors are being forced to reduce their working contribution to the NHS or to leave it entirely because of NHS pension arrangements" and Government should "instruct" employers to offer "recycling" of employer contributions.