

Cyfarwyddwr Cyffredinol Iechyd a Gwasanaethau Cymdeithasol/
Prif Weithredwr GIG Cymru
Grŵp Iechyd a Gwasanaethau Cymdeithasol

Director General Health and Social Services/
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Llywodraeth Cymru
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Council

19 December 2019

Dear Colleagues

PENSIONS TAX IMPACTS ON THE NHS – A SOLUTION FOR 2019/20

I am writing to you all today to set out the steps we have taken to address the operational impact we are facing in the NHS in Wales arising from the current pension tax arrangements. Simon Stevens, Chief Executive of the National Health Service in England wrote to NHS organisations in England on 22 November 2019 setting out the arrangements in England.

In Wales, we are also facing serious operational challenges as a result of these arrangements, with senior clinicians reducing their sessional commitments, including in A&E

departments, general practice and undertaking waiting list operations. The Minister for Health and Social Services has been lobbying the UK Government for a change to these arrangements because of their impact on clinicians and their impact on delivery of NHS services to the people of Wales.

I agree with Simon Stevens, however, that it is unlikely that any solution from the UK Government to the tapered annual allowance issue would take effect before the new tax year in April 2020. In the meantime, following discussions with the BMA in Wales and evidence submitted by the Health Boards and Trusts in Wales, I am convinced there is a compelling case to adopt the same arrangements in Wales as in England. I have decided to take the same exceptional action to address the issue as NHS England and NHS Improvement have done. These arrangements will only apply to pensions annual allowance tax charges arising with respect to 2019/20 tax year and will both address the operational issues being faced by the NHS and ensure fair and equitable treatment of our NHS staff with those working in England. These arrangements will be in addition to the work done by NHS Wales Employers who have developed a joint approach to pension flexibilities which fall within their remit and issued guidance on 5 November 2019.

The NHS in Wales will, therefore, now ensure that clinicians who exceed their NHS pension annual allowance in this financial year are not left out of pocket. This scheme will apply to doctors, nurses, AHPs and other clinicians in active clinical roles who are members of the NHS pension schemes. It will cover all pension saving in the NHS schemes in 2019/20 (but not annual allowance tax charges falling due on pension saving outside the NHS schemes). Specifically, this will be achieved by:

- clinicians who as a result of reaching their annual pension allowance are subsequently notified of a tax liability in respect of this year (2019/20) will be able to choose 'Scheme Pays' on their pension form, meaning that they don't have to worry about paying the fee out of their own pocket; AND
- the NHS will make a contractually binding commitment to pay them a corresponding amount on retirement, ensuring that they are fully compensated for the effect of the Scheme Pays deduction.

Detailed FAQs will be available on the NHS Wales Employers website. Local employers will incur no net extra costs as a result of this provision, which will be funded nationally by the Welsh Government. We will continue to press the Treasury to recognise this additional cost to the public purse in Wales.

Clinicians are, therefore, now immediately able to take on additional shifts or sessions without worrying about an annual allowance charge on their pension. Your support in ensuring that your membership understand that this scheme is now operating in Wales would be very welcome.

Yours sincerely



Dr Andrew Goodall CBE