



Financial Assistance Scheme

HM Government
through the Department for Work and Pensions

The impact of FAS payments for a past period on income tax

If you have received a payment from FAS which includes payments for a past period your tax position may have been affected. Most people will not be affected. This note tells you what steps you can take if you think you may have paid too much income tax.

It is important to note that tax reassessments can result in refunds or tax bills depending on your individual total taxable income.

Recent changes to FAS payments

From 4 June 2008 payments from the FAS have been;

- Increased from 80% to 90% of an eligible member's accrued pension; and
- Paid from your normal retirement age (but not before the age of 60 or before 14 May 2004).

Normal retirement age is the age you would normally retire at, as stated in your pension scheme rules. If your normal retirement age is 65 you will not be affected by this change to the start date of your FAS payments. However, if your normal retirement age is lower than 65 you will receive a payment for the past period, from your normal retirement age, or, 14 May 2004 whichever is later. If your normal retirement age is after age 65 you still be paid at age 65.

How this may affect the amount of income tax you have paid

The income tax you pay is worked out based on all the taxable income you receive in each tax year. If FAS makes a payment to you which includes payments that relate to previous tax years, as a result you may have paid the wrong amount of income tax. You need to consider your personal circumstances and decide whether you wish to take any further action. More information about income tax can be found overleaf.

What you can do

The majority of people will not have paid too much tax but if you are concerned that you may have done then you can;

- Contact the FAS Operational Unit (details below) and request a breakdown of your FAS payment including the period to which it relates
- Send the breakdown with a standard letter provided by FAS Operational Unit to HMRC requesting a tax reassessment

As tax is a complex area we recommend you seek advice before taking any action. The Pensions Advisory Service has a dedicated helpline for FAS members who have tax concerns. Their telephone number is: **0845 602 7021**

For the very latest information about the Financial Assistance Scheme please check the website which can be found at www.dwp.gov.uk/fas or by contacting the FAS OU by phone on 0845 601 9941, (International calls (+44) 1904 702230), textphone on 0845 601 9942, (Mon-Fri 9am-5pm) or by writing to Financial Assistance Scheme, PO Box 702, York, YO32 9XR



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How has my FAS payment been taxed?

FAS payments, like payments of pension income, are strictly taxable in the tax year to which they relate and should be assessed for tax using the tax rates and allowances that applied for the relevant year.

However, tax is deducted from FAS payments under the Pay As You Earn (PAYE) system before they are paid to you. Your FAS payments, including any payments relating to an earlier year, have been taxed using your PAYE tax code for the current year if we are aware of it, or at the Basic Rate if not. This means that tax has been deducted using the tax rates and allowances for this tax year even though some of the payment may relate to previous years.

As a result, you may have paid too much or too little tax on your FAS payments this year. There are a number of possible outcomes and you need to consider your personal circumstances and decide whether you need to take any further action.

How do I know if I have paid too much tax and may be eligible for a refund?

Your tax position for any year depends on your total taxable income. You may have paid too much tax if you were not liable to tax or only paid tax at the starting rate of 10% in any previous year for which you receive a FAS payment. You may also have paid too much tax if any FAS payments relating to previous years are taxed at the higher rate of income tax (40%) when you previously only paid tax at the basic rate. If you have always paid tax at the basic rate and your FAS payment is taxed using code BR (Basic Rate) you do not need to do anything. If you are unsure what rate of tax you paid in previous tax years you can find out by asking your local tax office.

If you think you may have overpaid tax on your FAS payment you can, as overleaf provide your local tax office with a breakdown of your FAS payment including the period to which it relates and ask them to assess your tax for the relevant past period at the end of the current tax year.

How to find your local tax office

Details may be available on previous correspondence or you can call the HM Revenue and Customs number in your local phone book. Alternatively, visit the HM Revenue and Customs website at www.hmrc.gov.uk and click on "contact us" to find out the number to call.

If you telephone HM Revenue and Customs you should say that you are calling about the Financial Assistance Scheme.

If you receive any state benefits or Tax Credits

If you are receiving FAS payments, or if your payments have increased, you should tell the office that pays any state benefits you receive. If you receive tax credits you should contact the Tax Credits helpline and let them know. The number is: **0845 300 3900** (8am-8pm seven days a week)

From April 2008, calls to **0845** numbers from BT land lines should cost no more than 4p per minute with a 6p call set up charge. You may have to pay more if you use another phone company or a mobile phone, or if you are calling from abroad. Calls from mobile phones can cost up to 40p per minute, so check the cost of calls with your service provider.