

BASF UK Group Pension Scheme Annual Allowance Supplement Policy

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Contact Details

All generic scheme related queries should be referred to the Scheme Administrator. However, queries relating to the Annual Allowance Supplement should be emailed to the [BASF In-House Pension Team](#).

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		📞	0330 123 0647
		🌐	https://www.pensionportal.co.uk/basf

Important notices

This does not constitute advice. Neither the Company nor the Trustee can offer advice on your personal circumstances. We would recommend that you seek impartial financial advice. A list of impartial financial advisors in your area can be found at www.unbiased.co.uk.

Other free sources of information that you may wish to consider using are:

🌐 [Money Advice Service](#)

🌐 [The Pensions Advisory Service](#)

Annual Allowance (AA)

The **AA** is a limit on the amount that can be contributed to your pension each year, while still receiving tax relief. The standard AA, from 6 April 2026, is **£60,000** but if you are a high earner, your AA may be reduced.

What counts towards the allowance?

For **DC (Defined Contribution)** pension arrangements, all contributions that are made by you and the Company on your behalf count towards the AA. For **DB (Defined Benefit)** pension arrangements, the amount of pension accrued in each year is converted to an amount which counts towards the AA.

The AA applies across all schemes you belong to, it's not a 'per scheme' limit and includes all contributions that are paid by you or on your behalf (e.g., by your employer) in each year.

What happens if I exceed the standard AA?

You won't receive tax relief on any contributions or benefit accrual over the limit. Instead, the income tax relief you would otherwise receive on contributions made from your earnings will be offset by an **Annual Allowance Charge**.

The chargeable amount will be added to the rest of your taxable income for the tax year in question when determining your tax liability (but does not affect your income tax personal allowance). You have an option, if the tax charge is more than **£2,000**, to ask the Scheme to pay the charge from your benefits. This means your pension benefits would be reduced. If you would like more information on this process, please contact the Scheme Administrator.

You may be able to carry forward any unused annual allowances from the previous three tax years, to either reduce your annual allowance charge to a lower amount or remove the annual allowance charge completely. However, if you have a **Money Purchase Annual Allowance (MPAA)** carry-forward of unused AA for the previous 3 tax years will only be available to you for any increase in the value of defined benefits (DB).

The Scheme Administrator can confirm your **Pension Input Amount (PIA)**. This refers to the amount of contributions or value of accrued benefits during the pension input period, which is aligned with the tax year.

If you think that you may be getting close to your annual allowance, or may have exceeded it, you may wish to consider taking advice from a regulated financial adviser. You may also want to contact any other scheme providers you have, for example, where you contribute to a personal pension plan to establish what your **PIA** is for that scheme.

Tapered Annual Allowance (TAA)

The Government introduced the **TAA** on 6 April 2016 for high earners. This included the introduction of **threshold income** and **adjusted income**, which are key components in calculation and eligibility.

The TAA will apply if you have:

- a threshold income of **£200,000** or more per annum, and
- an adjusted income of **£260,000** or more per annum

If you are affected by the **TAA**, you will still be able to carry forward unused AA from previous tax-years and if your income in any tax year drops below the threshold you will have the normal AA for that tax-year.

What is Threshold Income?

Where an individual has a threshold income of **£200,000** or more, you must calculate adjusted income to work out the amount of any tapered annual allowance.

Threshold income is broadly your annual taxable income, less any pension contributions taken straight from your pay or made by you directly to a pension scheme, adding back any pensions salary sacrifice deductions.

What is Adjusted Income?

Adjusted income adds in the value of all member and employer pension contributions, to prevent individuals from avoiding the restriction by exchanging salary for employer contributions.

Adjusted income is broadly your taxable income, including any salary sacrifice amount, plus the value of pension contributions made by yourself and your employer.

How does the taper work?

Where a member has adjusted income over **£260,000** then the annual allowance is reduced by **£1** for every **£2** that the adjusted income exceeds **£260,000**. There is a maximum reduction of **£50,000**, which means there is a minimum **TAA** of **£10,000**.

This results in an Annual Allowance of **£60,000** for those with an adjusted income of less than **£260,000**; a reducing Annual Allowance for those with adjusted incomes between **£260,000** and **£360,000** and an Annual Allowance of **£10,000** for those with an adjusted income over **£360,000**.

Money Purchase Annual Allowance (MPAA)

The MPAA applies if you have taken some pension benefits already and are still making pension contributions. If this applies to you, you will have the MPAA instead of the standard AA.

If you have taken flexible benefits from a pension scheme, such as an **Uncrystallised Funds Pension Lump Sum (UFPLS)** or flexi-access drawdown with income, and you want to continue paying contributions to a defined contribution pension scheme, you will have the MPAA of **£10,000** per annum.

The MPAA applies if you have DC benefits and have started to 'flexibly access' those benefits from any pension arrangement. You will flexibly access your benefits if you receive a payment from a flexi-access or capped drawdown fund, receive payment from a flexible annuity, take an uncrystallised funds pension lump sum or receive a pension payment from a DC arrangement with less than 12 people. In relation to the Scheme, you will have flexibly accessed your DC benefits if you take an uncrystallised funds pension lump sum, essentially any lump sum that is not the 25% tax-free pension commencement lump sum.

The **MPAA** includes both your own contribution and any other contribution paid on your behalf, such as an employer or a third party. You cannot carry forward any unused standard annual allowances from the previous three tax years to increase your **MPAA**. The **MPAA** will only start to apply from the day after you have taken flexible benefits and so any previous savings are not affected.

AA Salary Supplement Amount

An individual who has a **TAA** may request to join the AA Supplement (subject to providing appropriate evidence) and may be eligible to receive a salary supplement equal to the amount of employer contributions that would otherwise have been paid to the Scheme on their behalf, less the minimum amount of annual allowance (currently **£10,000**). This will be based on the contribution rate in force at the time. If the individual's contribution rate has changed within the last 12 months, the previous rate will be applied.

The Company will pay **£10,000** to the Scheme as an employer contribution in equal monthly instalments in respect of the individual and the remaining amount will be paid in equal monthly instalments with your regular pay throughout the year as a non-pensionable allowance. For the avoidance of doubt, the Company does not offer a supplement for employees affected by the **MPAA**.

Tax Implications

An individual will pay income tax and NI on the salary supplement, and the Company will not reimburse or pay any further amounts to compensate for this. The salary supplement will not be pensionable (for benefits where a notional Pensionable Salary is still used, such as Life Assurance).

Life Assurance and Income Protection

Members in receipt of the AA Salary Supplement will continue to be eligible to receive a death in service lump sum of 4x Pensionable Salary.

Other Benefits

Other benefits outside of this policy are not affected unless communicated by the Company in writing.

Company Participation

BASF plc reserves the right to remove the salary supplement at any time and will notify affected members in writing.