

## Scheme Pays

Any pension savings above the Annual Allowance (AA) incur a tax charge (“AA charge”). Scheme Pays is an option available to you in certain circumstances to meet this charge. It allows you to ask the BASF UK Group Pension Scheme (“Scheme”) to pay all, or part of the AA charge due if your pension savings in the Scheme are more than the AA during a tax year and cannot be offset by unused AA from previous tax years.

In return for paying the AA charge, the Trustee would reduce your benefits in the Scheme by an equivalent amount. You need to ensure you fully understand the consequences for your pension benefits before you decide to pay an AA charge from your pension savings in the Scheme. To use Scheme Pays, your total AA charge must be more than £2,000, although you do not have to pay more than £2,000 from the Scheme.

### The Annual Allowance (AA)

The AA is a limit set on the total amount of pension savings you can build up each tax year that receive tax relief. Any pension savings above the AA incur a tax charge (“AA charge”).

Since 6 April 2016, the AA that applies to you may be lower than the amount shown in the table opposite if ...

- you have an income over £110,000 a year
- you have taken money from a pension pot

If either of these things apply to you, visit [www.gov.uk/tax-on-your-private-pension/annual-allowance](http://www.gov.uk/tax-on-your-private-pension/annual-allowance) for further information. The minimum AA is £4,000.

For Defined Contribution (DC) benefits, pension savings are the contributions paid by you and your employer. For Defined Benefit (DB) (including Career Average) benefits, a more complex calculation is carried out, to give a value for the increase in your benefits over the period.

Tax year	Annual Allowance (AA)
2014/15	£40,000
2015/16	£40,000
2016/17	£40,000*
2017/18	£40,000*
2018/19	£40,000*

\*May be lower if you have a high income (over £110,000 a year) or have taken money from a pension pot.

### Identifying an AA charge

An AA charge will be due if your pension savings are more than the AA for the year, plus (under current tax rules) any unused AA you have from the previous three tax years (see below).

The AA charge is currently based on the excess savings and your highest rate of income tax.

You are responsible for checking if your savings in the Scheme together with your savings in any other pension arrangements exceed the AA during a tax year. The Trustee and Company cannot provide you with any financial or other tax advice in relation to the AA or whether you will have to pay an AA charge. However, to support you, if your pension savings in the Scheme exceed the AA during a tax year, we will send you a statement to confirm the amount of pension savings that are above the AA. If you think you have exceeded the AA, under current tax rules, you can use “carry forward”, which is where you can offset pension savings over the AA in one year by any unused AA from the previous three tax years. However, please note that if you have taken money from a pension pot and the money purchase annual allowance applies to you, “carry forward” is not available.

If your total pension savings are more than the AA (after taking any carry forward into account), you are responsible for reporting this excess to HMRC via a self-assessment tax return. The AA charge would then be calculated by HMRC (currently based on the excess pension savings and your highest rate of income tax) and payable within the normal self-assessment deadlines. If you don't normally complete a self-assessment tax return, you would need to register to do so.

The Scheme also informs HMRC if your pension savings in the Scheme are more than the AA.

## Scheme Pays and the Scheme

If you have an AA charge to pay, in accordance with legislation, you can make an election to the Scheme to pay all, or part, of an AA charge relating to the Scheme out of your pension savings in the Scheme in exchange for an equivalent reduction in your pension benefits.

In the Scheme, you may only make an election to use the Scheme Pays option if:

- You are an active member of the Scheme;
- Your pension savings in the Scheme over a tax year have exceeded the AA;
- Your AA charge is more than £2,000; and
- You want the Scheme to deduct some or all of the AA charge from your Scheme benefits and pay it directly to HMRC.

**Your benefits in the Scheme will be reduced if you ask the Scheme to pay the AA charge on your behalf. You need to ensure you fully understand the impact this will have on your pension benefits in the Scheme before you decide to pay an AA charge from your pension savings in the Scheme. You should consider taking advice if you are thinking of using the Scheme Pays option.**

## How your benefits would be reduced

Your DC Account within the Scheme would be reduced to cover the AA charge.

### Example

The example below shows how much a member's pension could reduce if they use Scheme Pays for a £2,000 AA charge:

	Before deduction to cover AA charge	After deduction to cover AA charge
Value of member's DC Account	£50,000	£48,000
Estimated pension at age 65*	£2,742.96 a year	£2,631.60 a year

\*Illustration only, based on a male, aged 65, who uses their full pension account to buy a level annuity with an annuity provider outside the Scheme with a 50% pension payable to his spouse after his death. The actual amount of benefit will depend on the value of the account at retirement and the cost of securing benefits on the open market at that time.

## Making an election

Once you have calculated the AA charge and decided to make an election to use Scheme Pays in the Scheme, you should complete the "Scheme Pays Election form", which is available on the pension website, <http://ukpensions.basf.co.uk>, or on request from the Scheme Administrator. You must also report your excess pension savings to HMRC via a self-assessment tax return and the amount of the AA charge the Scheme will be paying for you.

For ease of administration, we ask you to tell us on your Scheme Pays election form if you will be retiring from the Scheme in the next 12 months, or if you know you are leaving the Company and wish to transfer out your benefits. This allows us to process your election before you retire or leave.

Once you have submitted your election, you cannot withdraw it and your benefits in the Scheme will have to be adjusted to take account of the tax that will be paid on your behalf by the Scheme. If, however, for some reason the amount of AA charge subsequently changes, you should contact the Scheme Administrator who may be able to help you adjust the amount of your election. However, if you have retired and taken your benefits or taken a transfer from the Scheme in the interim period, it will not be possible to adjust your election.

## Deadline for elections

For each year, an election must be received by 31 July in the year following the end of the relevant tax year.

Tax Year	Deadline
2015/16	31 July 2017
2016/17	31 July 2018
	...and each 31 July thereafter

## Get in touch

If you have any questions about Scheme Pays or would like a Scheme Pays election form, contact the Scheme Administrator:

- 📞 +44 (0)113 390 7119
- ✉ [basf@willistowerswatson.com](mailto:basf@willistowerswatson.com)
- 📍 Willis Towers Watson, PO Box 545, Redhill, RH1 1YX

**Neither the Company, the Trustee nor the Scheme Administrator can give you financial or tax advice; you are responsible for determining whether you have exceeded the AA in any year and for calculating the amount of any AA charge which may be due from you.**

## BASF UK Group Pension Scheme - BPP & Group DC Sections ("the Scheme")

# Scheme Pays election form

### You should complete this form if:

1. Your pension savings in the Scheme over a tax year have exceeded the Annual Allowance.
2. Your respective Annual Allowance charge is more than £2,000; and
3. You want the Scheme to deduct the Annual Allowance charge from your Scheme benefits (from your DC Account) and pay it directly to HMRC.

Further information on pensions savings and the Annual Allowance can be found on the Government's website at <http://www.gov.uk/tax-on-your-private-pension/annual-allowance>

### Your details (Please complete in BLOCK CAPITALS)

Title	Forename
Surname(s)	Date of birth
National Insurance no.	Employee no.
Mobile telephone number	Email address
Address	BASF site

### Annual Allowance election

Tax year end to which the Annual Allowance charge relates:	05/04/20 _____ (insert year)
Amount of Annual Allowance charge to be paid from the Scheme:*	£
I confirm that the amount of the Annual Allowance charge above has been calculated at the correct rate(s):	<input type="checkbox"/> Yes <input type="checkbox"/> No

Where the amount of the Annual Allowance charge to be paid from the Scheme is less than £2,000, please complete the declaration below:

I confirm that my total Annual Allowance charge liability for the tax year above exceeds £2,000:	<input type="checkbox"/> Yes <input type="checkbox"/> No
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If you intend to take your benefits from the Scheme in the next 12 months, please complete the following declaration:

I intend to take all my benefits from the Scheme in the next 12 months:	<input type="checkbox"/> Yes <input type="checkbox"/> No
If yes, please advise the date from which you expect to take your benefits:	

Will you reach the age of 75 in the tax year to which this election relates? If yes, a further declaration will be sent to you.	<input type="checkbox"/> Yes <input type="checkbox"/> No
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\* Where final information is not yet available to calculate the charge, an estimated amount can be provided based on the latest available information.

As you have Defined Contribution holdings within the Scheme, please confirm from which funds you would like your specified charge deducting by completing your chosen option below:

**Option 1: In line with my existing investment choices, including LifePlan\***  
Please tick here if you would like the charge deducted in line with your existing investment choices for your regular monthly contributions. If you are invested in one of the LifePlan investment options and your account is in the switching period, by choosing this option, the charge will be deducted proportionately across your investment fund holdings in line with the switching process.

**Option 2: In line with the instruction in the table below:**

Fund	Percentage of Annual Allowance charge to be deducted from each fund (%)
Adventurous Fund	
Moderate Fund	
Cautious Fund	
Ethical Fund	
Amanah Fund	
Pre-retirement Annuity Fund	
Sterling Liquidity Fund	
<b>Total</b>	<b>100%</b>

\* In the absence of any instruction, this will be the default option for deducting the charge.

**I understand that I cannot withdraw this notice, and my benefit rights in the Scheme will have to be adjusted to take account of the tax that will be paid on my behalf by the Scheme.**

<b>Signed</b>	<b>Date</b>
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**Once you have completed this form, please return it to:**  
Willis Towers Watson Ltd, PO Box 545, Redhill, RH1 1YX

**Alternatively, once you have signed the form, you can scan it and email it to:**  
basf@willistowerswatson.com



Using the information you provide on this form

Providing your mobile phone number and email address is optional. If you do choose to provide these details, they will be held by the BASF Group, the Trustees and their advisers and only used to provide you with information relating to the BASF UK Group Pension Scheme. Your details will not be passed to any third parties to be used for any other purpose. If, at any time, you wish to stop being sent BASF UK Group Pension Scheme updates via your mobile phone or email, you can request to opt out and we will remove these details from our system. Any information you provide will be held and processed in accordance with the Data Protection Act 1998.