

# COMMISSION WAIVER INFORMATION SHEET

## HOW DOES COMMISSION WAIVER WORK?

You decide to waive a certain amount of your commission in exchange for a contribution into your pension. The amount is specified in advance of you becoming entitled to a bonus and it can either be a fixed value or a percentage. The specified amount is then paid into your pension as an employer contribution to benefit from National Insurance and Income Tax efficiencies.

## HOW DOES THE TAX AND NI SAVING WORK?

	Commission as cash	Commission as a pension contribution
Income Tax	Income Tax will be deducted at up to 45%* depending on the rate at which you pay income tax.	The waived amount is exempt from Income Tax and the gross amount is paid into your pension. This means you won't have to claim back any further tax relief.
Employee National Insurance	National Insurance will be deducted at 12% or 2%, depending on the rate you pay.	The waived amount is exempt from employee National Insurance.

\*Please note tax rates will be different for Scottish tax payers.

As well as being tax efficient on the way in, any gains from your investments in the pension are sheltered from UK Capital Gains Tax. The exact tax and National Insurance treatment depends on your individual circumstances and is subject to change.

**Important:** Please see the important notes about pension allowances to check if you are subject to any restrictions.

## ARE THERE ANY DISADVANTAGES?

If some or all of any commission is exchanged for a pension contribution, it cannot be accessed until you take your pension benefits. Usually from age 55 (57 from 2028) you can take as much of your pension as you wish either as income or as a lump sum. 25% is normally tax free with the remainder subject to income tax.

Waiving commission will reduce your earnings and therefore may reduce your entitlement to state benefits (such as Statutory Maternity Pay) which are based on either earnings or National Insurance contributions. Any benefits based on your earnings such as life insurance or permanent health insurance may also be reduced. The amount of state pension for which you qualify is unlikely to be affected unless your earnings drop below £123 per week (2023/24 tax year).

If you think you may be affected by any of the above issues or any other aspect of bonus waiver, we would recommend you seek personal financial advice.

## IMPORTANT NOTES ABOUT PENSION ALLOWANCES

Most people can contribute as much as they earn into a pension each year and get tax relief at up to their highest rate, however both annual and lifetime limits apply.

**Annual allowance:** For most people, a £60,000 contribution limit applies for the 2023/24 tax year. If you were in flexible drawdown prior to 6 April 2015, or have flexibly accessed money in a money purchase pension since 5 April 2015 (e.g., taken income from flexible drawdown or as an UFPLS) contributions to money purchase plans are restricted to £10,000.

Also, your allowance may be tapered down if your 'Adjusted income' is £260,000 or more. Adjusted income is broadly all taxable earnings (including sources of income outside of your employment, e.g. rental income) plus the value of employer pension contributions, including those derived from salary sacrifice and bonus waiver.

**Lifetime Allowance:** This was the total you could accumulate in your pensions without paying a lifetime allowance tax charge, however the lifetime allowance tax charge was removed from 6 April 2023. Currently it provides an upper limit to the maximum tax-free cash an individual can typically take across all their pensions.

The standard lifetime allowance is currently £1,073,100 but is set to be removed from 6 April 2024.

**If you think you may be affected by any of the above, please contact Hargreaves Lansdown's pension helpdesk on 0117 314 1795 or email [invest@hl.co.uk](mailto:invest@hl.co.uk). You can also request a copy of the 'Lifetime allowance', 'Annual allowance and carry forward' and 'Tapered annual allowance' factsheets.**

## OTHER IMPORTANT NOTES

The purpose of this information sheet is to provide information on how a commission waiver scheme operates. It should not be taken to indicate that a bonus has been or will be awarded. Unless otherwise provided for, the value and form of any award is at the discretion of your employer. Once an effective commission waiver election has been made it cannot be cancelled. It may be possible in some circumstances to cancel the associated pension contribution; however this will not cancel the commission waiver.

This information sheet is based on your employer's understanding of current and draft legislation and practice as at 21 March 2023. Pension and tax legislation can and does change and this can affect the future treatment of pensions. The value of investments can go down as well as up so you could get back less than you invest.

This information sheet is not personal advice about the suitability of commission waiver for your circumstances. If you are unsure of the suitability of bonus waiver you should seek personal financial advice.

Please remember that Scottish taxpayers pay different rates and that the benefits will depend on your circumstances.