

## **Minutes of the HM Revenue & Customs (HMRC) Pension Industry Stakeholder Forum - 29 April 2013**

**Chair: Graeme Hood, Business Head, HMRC Pensions Operations**

### **HMRC Attendees**

Graeme Hood	Business Head, Pension Schemes Services
Sarah Mee	External Communications Lead
Fay Collett	Specialist Personal Tax Communications Lead
Jon Prothero	Pensions Policy Team
Sue Marsh	Guidance Project Lead
Nick Jones	Head of Pensions Policy
Sarah Kelsey	Head of Pensions Technical
Paul Cottis	Pensions Policy Team
Daniela Paul	Head of Pensions Project Team
Kirsty Allsopp	Head of Pensions Compliance

### **Pension Industry Attendees**

Ian Long	Association of British Insurers and Aviva
Awhina Fleming	Association of British Insurers
Karen Goldschmidt	Association of Consulting Actuaries
Robert Graves	Association of Member-directed Pension Schemes
Ian Neale	Aries Pension and Insurance
Katharine Lindley	Association of Taxation Technicians
Teresa Preece	Chartered Institute of Taxation
Ian Brown	Investment and Life Assurance Group
Steven Coe	Institute of Directors
Sue Moore	Institute of Chartered Accountants for England and Wales
Dave Roberts	National Association of Pension Funds
Michael Robey	Nest Corporation
Paddy Millard	Tax for Older People
Rosie Kwok	Society of Pension Consultants
Iain Mills	Zurich Financial Services (UKISA) Ltd
Stacey Bradley	Zurich Financial Services (UKISA) Ltd

### **Apologies**

Carol Ferguson	Institute of Chartered Accountants of Scotland
Ann Redston	Institute of Chartered Accountants of England and Wales
Andrew Short	Society of Pension Consultants
Larry Darby	Low Income Tax Reform Group
Mario Lopez Areu	Confederation of British Industry

Paul Garwood	Institute of Chartered Accountants of England and Wales
Jonathan Moody	Association of Pension Lawyers
Timothy Lloyd	Association of British Insurers
Malcolm Small	Institute of Directors
Jason Piper ACCA	Association of Chartered Certified Accountants
Linda Smith AIFA	Association of Independent Financial Advisors
Samantha Mann	The Chartered Institute of Payroll Profession

### **Agenda Item 1 – Domestics**

### **Agenda Item 2 - Introductions and Matters Arising**

1. Following a number of moves within Pension Schemes Services, HMRC attendees were introduced to the Forum.

### **Minutes of October 2012 Pension Industry Stakeholder Forum**

2. The minutes from the October 2012 Pension Industry Stakeholder Forum were agreed and would be published on the HMRC website shortly.
3. HMRC explained that going forward the aim would be to publish these within four weeks of the Forum; however following this meeting of the Forum it would be longer due to leave.
4. The Forum were concerned that there was no mention of the question that if the K codes failed to collect the tax due whether it would be HMRC (or the individual) who would take responsibility. This will be passed to the RTI Team.

Answer: The RTI programme has confirmed that if the correct amount of tax is not collected by the K codes, HMRC will follow up any discrepancies.

### **Outstanding Action Points**

5. HMRC went through the outstanding action points. Action points 10/0512, 11/0512, 12/0512 and 13/0512 have all been cleared.
6. HMRC explained that action point 14/1012 relating to whether the AA online tool will work from the first tax year (ie 2011-12) would be covered under the AA/LTA agenda item (Agenda Item 4).
7. HMRC confirmed that action point 15/1012 relating to contact names for reporting pension liberation had been cleared. Contacts had been

provided in Pensions Newsletter 55.

8. HMRC explained that action point 16/1012 relating to guidance for scheme administrators on pension liberation and their responsibilities would be covered under the pension liberation agenda item (Agenda Item 6).
9. HMRC closed action point 17/1012.
10. HMRC referred to action point 18/1012. HMRC explained that Pension Schemes Services already has a number of established communication channels which are available to customers. These include the KANA email system, the pensions helpline and the HMRC website. Using these channels guards against enquiries getting lost and provides consistency particularly where there are staff changes. Action point 18/1012 was closed.

### **Agenda Item 3 – Guidance Update**

11. The Guidance Project Manager for HMRC explained that the Guidance Project Team is currently working on a rewrite of the RPSM.
12. HMRC also explained that later this year or early next year the GOV.UK website would replace the existing HMRC website. This will result in the existing HMRC website being closed. All existing guidance material will be migrated to the new site. HMRC explained that the Cabinet Office is leading on this.
13. HMRC explained that the Guidance Project Team has been reviewing the existing web content prior to the move across to GOV.UK which is due in April 2014.
14. Anyone wishing to provide feedback on guidance should contact Gareth Hirons at [gareth.hirons@hmrc.gsi.gov.uk](mailto:gareth.hirons@hmrc.gsi.gov.uk) who has taken over from Sue Marsh.
15. The Forum found it difficult to identify what the changes are and how these correlate to the old guidance but explained that at beginner level they found the guidance very good.
16. The Forum asked about progress on completion of the new guidance articles – HMRC confirmed that all of the new guidance articles had been published – a final total of 31 articles published as Tier 1 Guidance.
17. HMRC confirmed that in future there would be a link from the pension pages to budget announcements relating to pension schemes.
18. HMRC explained that reformatting the guidance was in line with HMRC's customer strategy and will provide customers with clear easily

accessible guidance.

19. Forum members felt that the workshops had been limited. However HMRC explained that feedback from the workshops had identified areas for improvement, for example regarding the guidance search engine.
20. HMRC confirmed that there are over three thousand pages in the current RPSM. As part of the project a new structure has been built and three chapters had been user tested within HMRC (using colleagues with no pension experience). HMRC explained that later this year external user testing will be carried out and requested members of the Forum to consider volunteering for this testing. Any Forum member wishing to volunteer should contact Gareth Hiron
21. The Forum thought that The Pension Advisory Service would be able to provide advice on areas about pension schemes which are particularly interesting to the public.
22. The Forum explained that pension experts want to be in line with HMRC's interpretation of the legislation. The Forum stressed that the pension industry relies on HMRC guidance and explained that they would have difficulties if key sections disappeared.
23. The Forum asked whether a table of destinations would be available and HMRC confirmed that this would be published as part of the guidance changes.
24. HMRC recognised Forum concerns over the language and tone of guidance and reassured the Forum that quality checks involving both scheme members and the industry representatives had been built into the project plan.
25. HMRC explained that the customer base had changed since 2006 and feedback indicated that they found it difficult to navigate around as a result of being distributed over multiple strands.
26. Forum members expressed concern that this represented a backwards step HMRC reiterated that the project wasn't there to fundamentally change the guidance wholesale but to make it rational and accessible.
27. The Forum expressed concern that GOV.UK could extend lead in times for guidance change. With the launch of GOV.UK HMRC expects changes to published guidance would be closer to real time.
28. HMRC explained that 'snapshots' of the HMRC website are accessible via the National Archives website and include previous versions of the RPSM. A snap shot of the HMRC website would be archived before migration to the new GOV.UK site.

29. HMRC explained that in the interim the RPSM still needs updating but will be limited to amendments reflecting statutory changes and if things are wrong. HMRC encouraged members to still comment on the RPSM amendments/changes.

30. The Forum suggested that HMRC could use resource from the industry to make the updates.

#### **Agenda Item 4 – Annual Allowance and Lifetime Allowance**

##### **Lifetime Allowance:**

31. HMRC explained that the Individual Protection regime was confirmed by the Chancellor in the Budget along with:

- The reduction of the lifetime allowance to £1.25 million
- A new Fixed Protection regime (FP2014)
- PCLS protection for those with Primary Protection (PP) and Enhanced Protection (EP) but with no lump sum protection
- A tweak to the PP valuation factor to ensure that people remain in the same position (ie don't gain)
- A change to break the link between the Trivial Commutation valuation factor and the lifetime allowance.

32. Forum members explained that they welcomed quick guidance and HMRC explained that they would look to publish guidance as soon as possible.

33. HMRC confirmed that the FP2012 regulations should closely mirror the FP2014 legislation in the current Finance Bill in terms of drafting. This should help avoid confusion. HMRC confirmed that they were looking to lay these regulations as soon as the Finance Bill receives Royal Assent along with the regulations for FP2014.

##### **Annual Allowance**

34. A new **information requirement** will be introduced for Scheme administrators, following consultation. This will need information provided to scheme members who exceed the annual allowance within a scheme to be submitted to HMRC via the annual Event Report (ER) for 14/15 and subsequent years (first due by 31 Jan 2016).

35. The Information required will be the name and national insurance number of the individual along with the tax year the annual allowance was exceeded and the amount involved. The Forum is concerned about the potential for admin burdens from what may be a large scale process change.

36. HMRC thanked Forum representatives for the wide range of responses to the consultation on the draft AA Order, highlighting in particular a mismatch in understanding between the private sector and HMRC about the treatment of transfers.

37. HMRC is well aware of the implications for prospective mergers but intended to circulate the next draft of the Order in early June, or to issue a statement on the policy aim for transfers to the same timescale.

38. The key concern is whether the Order will have retrospective effect. HMRC has no principled objection to this, subject to the usual requirements of the Human Rights Act, but the Order is likely to contain a number of different commencement dates as a consequence.

39. HMRC also confirmed that three further sets of regulations were set to be laid at the beginning of May. These are:

- The annual allowance regulations making minor changes requiring the reporting of the year of the AA charge and allowing a reduction for scheme pays to apply to pensions in payment.
- the pension protection fund regulations which make a series of technical tweaks to allow alignment with the treatment of registered pension schemes in pension sharing on divorce payments (any comments to Jon Prothero at [jon.prothero@hmrc.gsi.gov.uk](mailto:jon.prothero@hmrc.gsi.gov.uk))
- Further regulations to reinsert the CSLA into the legislation.

### **Lifetime Allowance – Individual Protection (IP14)**

40. HMRC explained that an individual could apply for IP14 if their fund exceeded £1.25 million on 5 April 2014 and protection would be on the value of rights up to £1.5 million. HMRC will consult on this shortly.

41. The reason for early consultation of this Finance Bill 2014 legislation is to provide early certainty as by autumn people will need to know how and what protection to apply for. HMRC explained that the intention is that FP14 would take precedence over IP14 so if FP is lost protection would revert to IP.

42. The Form asked whether there was going to be a ‘rolling’ application process and HMRC confirmed this and explained that this and any issues would be explored with the industry.

43. HMRC went on to discuss the business implementation for the annual allowance and lifetime allowance changes. HMRC would focus on raising awareness of the changes to members by providing guidance on the changes and using online tools to highlight the implications.

44. HMRC explained that the form for applying for FP2014 would be available from August and that there would be two form options available. An online, structured form and an accessible pdf.
45. The online structured form can be completed by the member and has online validations. On submission, the form will go straight through to an HMRC mailbox and an automatic acknowledgement will be issued. This will need to be retained by the member as proof of submission. The automatic acknowledgment will be tailored to manage customer expectations regarding receipt of the certificate.
46. This process which includes the online validations will help with administrative burdens for both HMRC and the Industry in dealing with the number of rejected applications due to ineligible/incorrect completion.
47. The accessible pdf allows the member to complete this online then print off and send via post.
48. The online tool will require the member to answer a series of questions to give them an idea of whether they should consider applying for protection and/or taking independent financial advice. HMRC confirmed that the tool will also refer to IP.
49. The Forum asked what the position is for individuals who don't have access to the internet and HMRC confirmed that everything would be done to help these individuals apply.
50. HMRC explained that the online tool was not intended to cater for all circumstances but instead to provide a decision tree, pointing customers, where relevant, to take further financial advice. The intention behind the tool was not to make the decision for members but to be an extra element of guidance.
51. Members of the Forum offered to test and feedback on the online tool.
52. HMRC explained that the annual allowance changes present more difficulties for individuals to understand and calculate liability. Work is taking place to improve the existing tool – career average schemes are currently not covered. HMRC explained that work is continuing to factor in areas that the existing tool missed or didn't address.
53. The Forum highlighted that the current tool doesn't work for 'straddling' periods and that inclusion of this would be top of their 'wish list'. HMRC explained that they couldn't do this in one tool but will look into the possibility of additional tools.
54. HMRC asked for any other comments about the tool to be passed to Sarah Mee at [sarah.l.mee@hmrc.gsi.gov.uk](mailto:sarah.l.mee@hmrc.gsi.gov.uk) and these would be passed to the project team.

55. The Forum requested that a copy list of attendees be made available as this would be useful for contact purposes. HMRC stated that they were keen to improve the customer experience and encouraged feedback on the Forum. HMRC confirmed that they would contact Forum members about this separate to the meeting.

### **Agenda Item 5 – Scottish Rate of Income Tax (SRIT)**

56. The SRIT working group met in mid April to discuss two new proposals put forward by the Scotland Project Team (a team within HMRC) and received an update from the HMRC Devolution Team.

57. Three options had already been discussed.

Option 1a – this option is an HMRC focussed option. The main burden would be on HMRC rather than the Industry and would see HMRC correcting a Scottish individual's tax position at or after the end of the year if the Scottish tax rate were to change.

Option 1b – this option is largely an Industry focussed option requiring the Industry to make changes to the rate of tax claimed for Scottish taxpayers receiving relief through RAS, with HMRC dealing with remaining adjustments at or after the end of the tax year.

Option 1abi – this option is similar to Option 1a but requires accelerated and more detailed information from providers about individuals claiming relief through RAS. The option has been associated with RTI. HMRC are due to explain the limitations of an RTI based approach to the group in more detail. Adopting this option would result in a large cost for HMRC to implement, and could not be brought in, in time for 2016.

58. A note from the HMRC (RTI) Team, responding to Option 1abi, would be circulated amongst the SRIT Working Group shortly.

59. HMRC then explained that two new options had been tabled. Both new options involved pension scheme administrators being responsible for doing end of year reconciliations but also making adjustments if a scheme member should have been subject to the Scottish rate of tax in the previous tax year (and the tax rate varied from the main UK rate).

60. HMRC explained that work was continuing to consider practical problems particularly with making retrospective changes after the end of the tax year. HMRC explained that the April meeting provided more opportunity to get feedback on the options and HMRC recognised that there were challenges for industry if faced with making adjustments in respect of a member for a previous tax year.

61. HMRC also explained that the potential for an interim solution was being considered – a mixture of Option 1a with HMRC bearing the cost

and giving the industry time to make the changes needed for 1b.

62. HMRC explained that the next steps were to submit a note to the Economic Secretary to the Treasury (EST) and Chief Secretary to the Treasury (CST) setting out the position and asking for ministerial steer. Once a steer had been provided, the working group can start to shape the final solution – probably during summer.
63. The Forum asked whether the two new options provided by the Scotland Project Team would be put out for consultation. HMRC confirmed that these would be tested internally and would be explored more widely if they offered anything over and above existing options.
64. The Forum explained that if scheme administrators had to make what would be costly changes to their systems that this is ultimately carried through to the scheme member – the member ultimately pays through admin charges.

#### **Agenda Item 6 - Pension Liberation**

65. HMRC explained that pension liberation continues to be high profile and create problems for the industry and was very much a focus of activity within Pension Schemes Services. HMRC explained that pension liberation activity was becoming more industrialised with the wholesale targeting of individuals via text messaging and cold calling.
66. HMRC went on to explain that pension liberation was being promoted by agencies who target vulnerable individuals who need cash fast.
67. HMRC continue to work with other agencies and representative bodies (for example, the Financial Conduct Authority (FCA), The Pensions Regulator (TPR) etc) and that there is currently a cross governmental working group looking at pension liberation from different perspectives (looking at intelligence gathering, communications and operational aspects).
68. HMRC explained that there was now a single communications initiative which had seen a push on communications focussing on raising awareness of pension liberation. In February 2013 The Pensions Regulator had published its scorpion leaflets to generate interest, make information accessible and publicise liberation activity taking place.
69. HMRC pointed out that the pension liberation landing page was launched on the HMRC website. It was designed to be blunt presenting a simple and snappy message to members and individuals. It was not designed to cover technical aspects of pension liberation but focussed on the tax consequences of liberation.
70. HMRC explained that they were keen for the industry to pick this up and refer customers to the HMRC website. HMRC explained that they were working with some of their bigger customers to try to get them to

pick this up and include this in their customer literature.

71. HMRC confirmed they planned to keep the message going focussing on communications and intelligence gathering and ensuring that there is a consistent approach across partner agencies.
72. HMRC explained that the next Pension Schemes Newsletter 57 would contain messages about pension liberation. It would be published shortly and a link circulated to Forum members.
73. HMRC confirmed that they were interested in feedback about the department's actions to date and what more specific action would be helpful to combat liberation.
74. The Forum explained their frustration (and that of the industry) about the resources diverted to addressing pension liberation. The Forum suggested that the Industry would find it helpful if HMRC along with TPR and other regulatory bodies ran a helpline for the industry to call and for people to ring for immediate advice about pension liberation and scheme registration status.
75. The Forum were concerned that information sharing across the industry is ad-hoc and inefficient and that there is a widespread belief that HMRC won't find out about liberation.
76. The Forum suggested that a change of law that would require information from occupational pension schemes about an employee being employed by a sponsoring employer could help. It would then be clear through RTI repayments whether an individual is in fact employed and as part of this the member could be messaged as a deterrent.
77. This remains an open issue and Forum members can email Sarah Mee at [sarah.l.mee@hmrc.gsi.gov.uk](mailto:sarah.l.mee@hmrc.gsi.gov.uk) with suggestions, issues etc.
78. HMRC confirmed they were reacting quickly to information/ intelligence about people engaged in pension liberation activity.
79. The Forum asked whether HMRC and other regulatory bodies would consider turning attention to Administrators. Currently Administrators are totally unregulated which can mean that very inexperienced Administrators can register pension schemes. The Forum asked whether it was now time to return to professional Administrators and amend legislation accordingly.
80. The Forum asked for contact details for the Pension Scheme Counter Fraud and Avoidance Team and HMRC confirmed that details would be included in the minutes.

Dave Roper            03000 564496  
Alison Vaughan        03000 564505

Nick Chambers 03000 563713

81. The Forum asked whether Scheme administrators could be regulated with FCA. HMRC confirmed that this would be considered further.
82. HMRC explained that due to taxpayer confidentiality there were limitations about what information HMRC can provide to Scheme administrators. HMRC cannot reveal information about compliance activity into companies or pension schemes without permission.
83. HMRC re-iterated that Scheme administrators still need to carry out due diligence checks when dealing with transfer requests to other schemes. HMRC explained that the decision to transfer is the responsibility of the Scheme Administrator. HMRC can't advise whether to allow a transfer or not, however HMRC can advise whether or not a scheme is registered.
84. The Forum raised concerns about Scheme administrators' power to stop transfers and how this would be viewed by the Ombudsman.
85. The Forum mentioned the work that DWP are currently undertaking regarding transfers and asked whether HMRC are feeding into this. HMRC confirmed that they are aware of this work and are feeding into it.
86. The Forum felt that restoring the link between employment and occupational schemes would be helpful and HMRC confirmed that this would be considered further.
87. The Forum raised concerns that if HMRC deems the transfer as not recognised and considers due diligence not to have been carried out, tax charges will apply if the receiving scheme is not genuine. The Forum explained difficulties in checking the registered status of the scheme.
88. HMRC explained that if the Scheme Administrator has carried out thorough due diligence checks HMRC won't deem the ceding scheme responsible.

#### **Agenda Item 7 - Any Other Business**

89. The Forum asked if there was any news on dependants' scheme pensions. HMRC confirmed that this issue was under consideration, that it remained an open issue but that there was no tangible update on this subject today. HMRC explained more evidence would add substance to any approach HMRC made to HM Treasury for changes in the pension tax rules in this area.
90. HMRC explained that it wanted feedback on the effectiveness of the Pension Industry Stakeholder Forum and was looking to carry out a review of membership, how it works, whether it is useful, whether it

covers the right topics and issues, what attendees think about the timing, length, location etc.

91. HMRC will contact Forum members for feedback in due course.