

**Pensions Industry Stakeholder Forum
22 November 2013**

Pensions Industry Attendees

Ian Long	Association of British Insurers and Aviva
Rob Yuille	Association of British Insurers
Karen Goldschmidt	Association of Consulting Actuaries
Jason Piper	Association of Chartered Certified Accountants
Robert Graves	Association of Member-directed Pension Schemes
Catherine McAllister	Association of Pension Lawyers
Katherine Lindley	Association of Taxation Technicians
Teresa Preece	Chartered Institute of Taxation
Anne Redston	Institute of Chartered Accountants for England and Wales
Vince Flanagan	Investment and Life Assurance Group
Larry Darby	Low Income Tax Reform Group
Dave Roberts	National Association of Pension Funds
Michael Robey	National Employment Savings Trust
Andrew Short	Society of Pension Consultants
Phil Tilley	Society of Pension Consultants
Iain Mills	Zurich Financial Services (UKISA) Ltd
Stacey Bradley	Zurich Financial Services (UKISA) Ltd

HMRC Attendees

Julie Elsey	Business Head, Pension Schemes Services
Sarah Mee	External Communications Lead
Sarah Kelsey	Head of Pensions Technical
Daniela Paul	Head of Pensions Project Team
Janet Blow	Head of Pensions Process Team
Nic Clarke	Pensions Compliance Team
Denise Hardy	Pensions Project Team
Paul Cottis	Pensions Policy Team

Apologies

Ian Neale	Aries Pension and Insurance
Jon Allen	Association of British Insurers
Jonathan Moody	Association of Pension Lawyers
Samantha Mann	Chartered Institute of Payroll Profession
Mario Lopez	Confederation of British Industry
Carol Ferguson	Institute of Chartered Accountants of Scotland
Sue Moore	Institute of Chartered Accountants for England and Wales
Paul Garwood	Institute of Chartered Accountants for England and Wales
Malcolm Small	Institute of Directors
Rosie Kwok	Society of Pension Consultants
Paddy Millard	Tax for Older People
Neil Carberry	Confederation of British Industry
Peter Bickley	Institute of Chartered Accountants of England and Wales
Debra Tullett	Pensions Research Accounts Group
Linda Smith	Association of Professional Financial Advisers

Agenda item 1 – Welcome, introductions and domestics

1. HMRC welcomed attendees, apologised for cancelling the last meeting at short notice and explained that exceptionally this was being held as a teleconference due to a lack of room availability. HMRC confirmed that the next Pension Industry Stakeholder Forum would be a face to face meeting on 17 April 2014.

Agenda item 2 – Minutes and actions

2. HMRC apologised for the length of time it took to produce the minutes of the last forum. A draft of the minutes from forum will be circulated for attendees to comment within four weeks.
3. HMRC asked that any comments on the minutes from the Pensions Industry Stakeholder Forum held on 29 April 2013 to be sent to Sarah Mee sarah.l.mee@hmrc.gsi.gov.uk
4. There were no outstanding action points from the last meeting.

Agenda item 3 - Qualifying Recognised Overseas Pension Schemes (QROPS) update

5. HMRC confirmed that, from 16 December 2013, the APSS262 form which is used to notify HMRC that a UK registered pension scheme has transferred sums or assets to a QROPS, can be submitted electronically. Access to the online system is via the scheme homepage on the Pension Schemes Online system using existing credentials.
6. HMRC also confirmed that an overseas online functionality is being introduced from the same date for overseas scheme administrators.
7. HMRC explained that an enhanced security feature means that under the new IT systems scheme administrators will be able to enter information onto the system and will get a summary of the information they entered with an option to print the screen. The information entered will not be available on the system to view again.
8. Attendees raised concerns that the online process would carry more administrative burden for scheme administrators and third party practitioners as extra resource would be needed to complete the process online.
9. HMRC confirmed that the paper process would continue to be available but would encourage scheme administrators to use the online process as this is more secure and will greatly assist in compliance work, including combating pension liberation. HMRC will work with the industry to explore the impacts of the new process and would be initiating discussions with Customer Liaison Managers (CLMs) to discuss ways of using the online process.
10. A workshop on the topic was suggested but attendees felt they wanted to understand the impact of switching from paper reporting to using the new online service both on their businesses and on any third party administrators who also report this information on their behalf.

Action point 1 – Denise Hardy from HMRC's Pensions Project Team and CLMs will liaise with scheme administrators to understand impacts of the QROPS IT new process.

Agenda item 4 - Scottish Rate of Income Tax update

11. HMRC confirmed that ministers had decided the most appropriate method for giving relief by means of RAS for Scottish taxpayers would be for scheme administrators to make the claims at the correct rate i.e. a divergent Scottish basic rate for Scottish rate taxpayers and UK basic rate for all other UK taxpayers. HMRC will then make any adjustments necessary following the end of the tax year for those members whose Scottish taxpayer status changed after the start of the year.
12. HMRC explained that ministers also agreed to delay the implementation of this process for a period from April 2016 to give the pensions industry more time to implement the necessary changes to their systems. April 2018 is the proposed commencement date – HMRC welcome thoughts on this.
13. In the interim from April 2016 scheme administrators will continue to make RAS claims at UK basic rate for all members. Taxpayers who self assess their tax each year will receive any adjustment to their tax relief through self assessment in the usual way. Following the end of the tax year HMRC will identify Scottish rate taxpayers who do not self assess and make any necessary adjustment to the relief already given by either repayment or coding adjustment as necessary.
14. HMRC propose to notify Scheme Administrators of their Scottish Tax Paying members well in advance of April 2018. The exact method of doing this is still under discussion. Attendees expressed concern around its legacy portfolio, the amount of work involved and the costs and issues this raises.
15. Attendees asked whether this ministerial decision could be revisited as getting the IT systems changed would have massive implications and cost. HMRC explained all evidence provided regarding the cost to the industry had been considered but explained that attendees can submit any new/further evidence to HMRC.
16. HMRC confirmed that we will continue to work with the pensions industry over the coming months to identify the best way to implement these changes.

Action point 2 - When further feedback on this topic is received from the attendees (or others) this will be fed into the HMRC project team and consideration will be given to setting up a meeting to discuss the issues.

Agenda item 5 - Pension liberation

17. HMRC confirmed that the recent process changes introduced to combat pension liberation are working well from our perspective and asked for feedback on the processes from attendees. Attendees felt that it was too early to provide meaningful feedback on the processes and this was carried forward as an agenda item for April's Pension Industry Stakeholder Forum.

Action point 3 – HMRC to include pension liberation and the process changes as an agenda item for the April 2014 Pension Industry Stakeholder Forum.

18. Attendees generally welcomed the changes but there was a question of whether the new registration process is within the existing legislation – HMRC confirmed that it is.
19. Attendees expressed concerns around the timing of registration and receipt of contributions for Small Self Administered Schemes (SSASs). Attendees explained that it is not uncommon for a SSAS to be set up and contributions paid close to the end of small businesses' trading year to take advantage of tax incentives. As tax relievable contributions cannot be paid until the scheme has been registered, concern was raised that any delays as a result of the new registration process could jeopardise such arrangements.

In response to a question, HMRC confirmed there were no plans to provide for tax relief to be available for contributions made after application but before a scheme had been registered.

20. Attendees asked for information about the risk rules used before registering a scheme. HMRC is unable to provide any detail around the risk rules used.
21. Feedback from attendees is that single member SSASs were now the vehicle of choice for liberators and attendees are also concerned that liberation activity is moving offshore. Attendees raised the view that they would support a requirement for an independent professional trustee to be appointed for SSASs.
22. Attendees also had concerns about writing to HMRC about third parties in transfer cases where they suspect pension liberation. In these cases scheme administrators may prefer to telephone HMRC to discuss a case.
23. Attendees also highlighted some recent statements from The Pensions Regulator to the general effect that, if a scheme administrator had made clear the impacts of making a transfer to a liberation scheme, but the member accepted these and still wanted to proceed, that was all the administrator needed to do. Whilst declining to comment on The Pensions Regulator's reported comments, HMRC confirmed that trustees have to undertake their own due diligence and making what is known to be an unauthorised payment would be unlikely to result in any good faith let out for the scheme sanction charge.
24. HMRC confirmed that the changes in October had also been explained to the Pensions Ombudsman.
25. Attendees were concerned that some promoters are targeting individuals over age 55 but with a later retirement date in their existing scheme (e.g. age 65) to transfer to schemes where they can take a lump sum straight away. The lump sum taken is the 25% pension commencement lump sum with promoter fees being taken from this, but the pension is not taken straight way (using the drawdown rules). HMRC explained that in these cases the pension tax rules aren't being broken and this issue is probably more relevant to the Financial Conduct Authority & The Pensions Regulator based on the way the option is promoted.
26. Attendees also referred to offshore pensions being marketed for UK scheme members to transfer to, even where the scheme member is not and has no intention of residing overseas in that country. HMRC confirmed that, in order

to comply with European Fundamental Freedoms, this was a feature built into the design when the QROPS regime was put into place. HMRC confirmed that it is looking closely at overseas schemes as part of ongoing work to combat liberation.

Any other business

27. Annual Allowance (AA) Tax Charge – there were concerns that people would not know how to amend their SA return where they realise after they have submitted their return (for example on receipt of a pension savings statement) that they have an AA charge. HMRC confirmed that guidance was published on 7 October to help customers with amending their SA return.

<http://www.hmrc.gov.uk/news/news071013.htm>

<http://www.hmrc.gov.uk/pensionschemes/calc-aa.htm>

There is also a helpsheet 345 that covers this topic.

<http://www.hmrc.gov.uk/helpsheets/hs345.pdf>

28. Annual Allowance Tax Charge – there were concerns that for people who don't want to use scheme pays they may pay the tax charge late and incur late interest charges and penalties. The HMRC Project Team has had no indication that this is a significant issue but will continue to monitor this.
29. Annual Allowance Amendment Order - Attendees asked about the progress and timescales for this. HMRC explained that there are a number of issues around transfers to resolve, but that before Christmas we hope to publish a further draft of the Order for comment.
30. Individual Protection 2014 (IP2014) - HMRC thanked attendees for responses to the IP2014 consultation. HMRC expect to publish a summary of responses shortly along with draft guidance for comment however no further significant changes are expected to the draft legislation around IP2014 policy.
31. Guidance Project – Attendees asked about the progress of the guidance project. HMRC explained that resource had been temporarily redeployed to work on pension liberation process changes and the Annual Allowance/Lifetime Allowance (LTA) Project but focus was returning to the guidance project. HMRC explained that the transition to the Gov.UK website had been delayed. The current draft timetable has pension content moving over to the new website by summer 2014. This is still a draft timetable and could be subject to change.
32. RPSM - Attendees asked whether a news item could be published on the HMRC site when updates are made to RPSM. HMRC will publish a 'what's new' item to alert customers to future updates.
33. Dependants' Scheme Pensions (DSP) – HMRC met stakeholders in the summer to discuss ways in which the DSP rules could be improved. This was productive and HMRC are drawing upon the feedback and statistical information received to work up options to put to ministers. Ultimately any decision on whether or not to proceed with a change to the DSP rules will require ministerial approval.

34. Review of the forum – At the last forum HMRC explained we would contact attendees for feedback on the forum. We will write out to attendees shortly to ask for feedback and will discuss this at the next Pension Industry Stakeholder Forum in April 2014.

Action point 4 – HMRC to email attendees for feedback on the Forum and to include and agenda item to discuss the feedback at the April 2014 Pension Industry Stakeholder Forum

35. Annual Allowance Calculator - An attendee raised the issue that the current tools do not cater for straddling PIPs. HMRC confirmed that work continued on including the £40,000 annual allowance in the 2014-15 calculator but advised that straddling PIPs cannot be included in the current tools. HMRC will look at the possibility of producing an additional tool to cover this but currently IT resource is focussed on the transition to Gov.UK.
36. Pension Savings Statements - It was suggested that the industry's experience with regard to preparing and issuing these should be included on the next agenda.

Action point 5 – HMRC to include pension savings statements as an agenda item for the April 2014 Pension Industry Stakeholder Forum.