

**Minutes of meeting held on 17 April 2014**
**Place: HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ**
**Attendees:**

<b>Name</b>	<b>Organisation</b>
Ian Neale	Aries Pensions
Jillian Pegrum	ACA
Paddy Millard	Tax Help for Older People and LITRG
Teresa Preece	Chartered Institute of Taxation
Linda Smith	APFA
Iain Mills	Zurich
Stacey Bradley	Zurich
Paul Garwood	ICAEW
Ian Long	ABI/Aviva
Katharine Lindley	ATT
Jon Allen	ABI
Dave Roberts	NAPF
Vince Flanagan	ILAG
Larry Darby	LITRG
Jonathan Moody	APL
Rosie Kwok	SPC
Andrew Short	SPC
Robert Graves	AMPS
Michael De Souza	NEST
Jo Gibson	HMRC (Chair)
Daniela Paul	HMRC
John Bhandal	HMRC
Neeta Ruparelia	HMRC
Paul Cottis	HMRC
Sarah Mee	HMRC (Secretariat)
Sarah Kelsey	HMRC
Rachel Nixon	HMRC
Jon Prothero	HMRC
Sally Robinson	HMRC
Owen Price	HMRC (Notes)
Ed Lidington	HM Treasury
Shirin Taghizadeh	HM Treasury

Apologies from Michael Hames (NEST), Samantha Mann (CIPP), Karen Goldschmidt (ACA), Malcolm Small (IOD), Ralph Pettengel (ATT), Carol Ferguson (ICAS), Michael Robey (NEST), Sue Moore (ICAEW).

## **Agenda Item 1 Introduction, domestics and actions**

- 1 The chair welcomed attendees, introductions were given and domestics were covered. A rundown was given of the action points from the last meeting. There were no open actions.

## **Agenda Item 2 Pensions flexibility consultation**

- 2 HM Treasury provided an overview of the flexibility changes announced at Budget 2014. HM Treasury are now consulting on these changes. The consultation closes on 11 June and HM Treasury hope to respond to the consultation before the Parliamentary summer recess in July.
- 3 HM Treasury will be looking to introduce a Pensions Tax Bill in autumn this year which will enact the tax legislation, with a technical consultation on the draft legislation taking place in August.
- 4 HM Treasury will be arranging technical working groups over the next few weeks to discuss how best to achieve the Government's policy aims through its tax legislation. These groups will focus on six areas:
  - the definition of defined benefit and defined contribution in HMT/DWP legislation
  - tax planning and avoidance
  - new products and innovation
  - raising the minimum pension age
  - the 55 per cent tax charge on death, and
  - the interaction between pension tax rules and pension scheme rules.

**Action Point – Ed Lidington ([Ed.Lidington@hmtreasury.gsi.gov.uk](mailto:Ed.Lidington@hmtreasury.gsi.gov.uk)) to arrange technical working group meetings and invite forum members). This was completed 24 April 2014**

- 5 Forum members asked HM Treasury for more details on the introduction of guaranteed guidance. HM Treasury is looking at the best way to deliver guaranteed guidance and will work with the industry to develop these plans to ensure they are delivered effectively.
- 6 Forum members felt there was some uncertainty within the industry around the Budget 2014 announcements, in particular regarding the 27 March changes and felt it would be helpful for HMRC to make an unambiguous statement before royal assent on the operation of the new rules.
- 7 Attendees asked the significance of the 27 March 2014 date, HMRC explained that the Budget Resolution was passed on 27 March 2014.
- 8 Forum members suggested that some scheme members did not feel reassured that they would be able to take their pension commencement lump sum without incurring an unauthorised payment charge and that HMRC's guidance was not clear enough on this point.

HMT and HMRC re-affirmed the policy intent of the changes and agreed to review their guidance.

- 9 Forum members also raised some detailed points on the guidance published on 9 April 2014 in respect of individuals in an annuity cancellation period on Budget day. HMRC advised that these would be considered.

**Action Point – HMRC to review guidance. This was completed 24 April 2014**

**Agenda Item 3 Age 75 consultation**

- 10 HM Treasury is exploring with interested parties whether to change existing rules that deny tax relief for pension contributions made by individuals over the age of 75. HM Treasury explained that the Government recognises that people are living longer and working longer as a result and wants to support continued pension saving.
- 11 HM Treasury asked for an initial view from Forum members. Forum members highlighted that complex rules such as lifetime allowance (LTA) and death benefits are tied to age 75 and felt that there might be potential issues around the use of pension schemes as Inheritance Tax avoidance vehicles.
- 12 Forum members also suggested that some of the historical issues that existed might no longer be an issue following the introduction of the flexibility measures announced in the Budget. It was agreed that this would be explored further as part of the wider HM Treasury technical working groups looking at the flexibility changes.

**Agenda Item 4 Pension liberation discussion on process changes and Budget 2014**

- 13 HMRC provided an update on the work being done to tackle pension liberation. HMRC explained that the Government is keen to ensure that the money set aside for retirement remains within pension pots until the scheme member reaches the necessary age to make withdrawals.
- 14 The 20 March changes also include provisions to treat the surrender of pension rights in favour of a dependant to create an employer surplus as an unauthorised payment.
- 15 Budget 2014 announced new powers (and penalties) for HMRC to enquire into schemes prior to registering them, including requesting third party information. These powers take effect from 20 March 2014 and give HMRC a formal route for obtaining information including third party information in connection with making a decision whether or not to register a pension scheme. HMRC explained that these new powers follow the same format as existing powers and penalties in Schedule 36 of Finance Act 2008.
- 16 HMRC explained that from 1 September 2014 a new fit and proper person test for scheme administrators will be introduced to allow HMRC the opportunity to assess each scheme administrator on their

own merits and decide if they are fit and proper to fulfil the role.

- 17 Also from 1 September 2014 changes to the rules around interventions by the Pensions Regulator (tPR), will also allow independent trustees to be appointed without the requirement to take on the tax liabilities of the previous scheme administrator.
- 18 Forum members suggested that the fit and proper person test was too vague and that a system of accreditation could be a better way of driving out promoters of liberation schemes. HMRC explained that the fit and proper person test would mirror the current fit and proper person test for charities and confirmed that they would continue to engage with the Financial Conduct Authority, tPR and Department for Work and Pensions on this issue.
- 19 Forum members referred to occupational pension schemes and concerns that under current pension tax rules it is not necessary for the scheme member to have a relationship with the sponsoring employer. The forum asked if there was scope to refine the definition of employer. HMRC confirmed that it would continue to review this and would propose further changes if necessary.
- 20 Forum members asked what action HMRC takes against pension liberators and if they use their powers to reclaim charges from the schemes rather than the members involved.
- 21 HMRC explained that in most cases the trust deeds are written in such a way that the onus falls on the scheme member and HMRC is often unable to pursue the scheme administrator to recover the charges.
- 22 Forum members provided feedback on the new registration process. Forum members had had mixed experiences with some registrations going through in a matter of days, but others taking a number of weeks/months.
- 23 Forum members were unhappy with the lack of information provided on where a scheme was in the registration process and what was causing the delays. Forum members felt it would be helpful to have more online notifications, rather than scheme administrators having to check the status of their registration on a daily basis.
- 24 Forum members also felt that one of the questions asked as part of the registration process, requiring scheme administrators to list any other schemes they administer or had administered previously was burdensome. Other concerns included schemes were being rejected with no explanation being offered by HMRC.
- 25 HMRC explained that rejection letters do include a reason for rejection, as this is an appealable decision. HMRC explained that online notifications may be possible and would be considered as part of future upgrades to The Pension Scheme Service (TPSS).
- 26 HMRC made the point that low risk schemes would be approved quickly but that naturally it would take longer to approve higher risk schemes that require additional scrutiny. However, HMRC is currently

issuing letters in most cases within three days.

- 27 HMRC confirmed that registration statistics will be published twice a year in the Pensions Newsletters.
- 28 HMRC admitted that the requirement for administrators to list every scheme they act as administrator for could be onerous in some cases but explained that this information is needed as part of the risk process for comparison purposes.
- 29 Forum members asked if HMRC could include pension scheme tax reference (PSTR) numbers when issuing responses, as it is sometimes difficult for scheme administrators to match the response letters to a particular scheme. HMRC confirmed that PSTR numbers should be included on all responses.
- 30 Forum members stated that the above points were to help HMRC refine the processes and that they fully support the action that HMRC has taken to date and want to continue to work with HMRC in this area.

#### **Agenda Item 5      Dependants' scheme pensions**

- 31 The Government announced at Budget 2014 that it would review the Dependants' Scheme Pension rules and undertake an informal consultation to develop options to simplify the tax rules and reduce administrative burdens. Forum members are invited to take part in this consultation.

**Action Point – Forum members to contact the Pensions Policy mailbox ([pensions.policy@hmrc.gsi.gov.uk](mailto:pensions.policy@hmrc.gsi.gov.uk)) to express an interest in joining the consultation.**

#### **Agenda Item 6      Annual allowance and fixed protection update**

- 32 HMRC provided an update on the Annual Allowance Amendment Order. HMRC is aware that some schemes are holding back on transfers, waiting for draft regulations to be published. HMRC is currently working on the Order and confirmed that the policy aims remain unchanged.
- 33 HMRC's solicitors are currently reviewing the draft prior to submission to the Office of the Parliamentary Counsel. HMRC hope to publish the revised draft for comment soon. HMRC are also aiming to publish an explanatory memorandum setting out the changes by the end of June with the regulations being laid in early September.
- 34 HMRC thanked Forum attendees for their input on the draft legislation.
- 35 Following feedback from Forum members, HMRC has published updated guidance on the reduction of the Annual Allowance, along with a link to the new online calculator. This enhanced calculator allows taxpayers to go back up to eight years to help with the calculation of

the correct carry forward amount. Another standard calculator and further guidance will be published on 8 May.

- 36 HMRC provided an update on the numbers of fixed protection 2014 applications received. HMRC received just under 50,000 applications and has processed 30,000 of these. HMRC hopes to process the remaining 20,000 by the end of June. HMRC explained that these figures would be published in the next Pensions Newsletter which will be published shortly. HMRC has only received 28 late applications, which have been rejected.
- 37 HMRC felt the KANA email system had worked well and would mirror this process for receiving and processing Individual Protection 2014 (IP2014) applications later this year.
- 38 Forum members felt that it would be useful to have actual calculations in the examples in the split PIP guidance and asked if HMRC could consider adding these.
- 39 HMRC explained that IP2014 was on track and the online application form for applying for IP14 would be available from August 2014. HMRC confirmed that the IT delivery has already taken place so the process should go live in August.
- 40 Forum members asked for assurance that the penalties and LTA charge would disappear once a member made a successful application for IP2014. HMRC explained that as long as the scheme administrator is confident that the individual will get IP2014 then there shouldn't be a problem.
- 41 HMRC asked Forum members for feedback on their experiences of pension savings statements. A number of Forum members confirmed they had previously written to HMRC setting out various concerns with pension savings statements, these points raised remained valid. Forum members had experienced difficulties with the time taken to issue Pension Savings Statements, resulting in some scheme members failing to declare the figures on their Self Assessment returns.
- 42 Forum members also felt that HMRC guidance needs to make it more explicit to scheme members that they may need to take action. HMRC confirmed that following industry feedback they are working to update the internet guidance relating to paying and declaring the annual allowance charge to highlight the action members need to take. Additionally HMRC is working to amend the Self Assessment guidance to make it easier for individuals exceeding their Annual Allowance to complete their returns correctly.

## **Agenda Item 7      Guidance Project Update**

- 43 HMRC had previously advised the Forum that the guidance project was on hold due to resource issues. This situation has not changed. HMRC is currently only updating the technical guidance and is aware of the need to update other elements of the guidance.

- 44 Forum members were unhappy that following the recent update to the RPSM, the “what’s new” item on the HMRC website alerting visitors to the change did not appear until several days later. HMRC explained that the RPSM update had gone live earlier than had been anticipated and as a result, there was a time lag between the update and the “what’s new” item being published. Forum members also felt that HMRC should make a clear statement that the RPSM has not yet been updated to reflect the changes announced in the Budget.

#### **Agenda Item 8 QROPS Online**

- 45 The new QROPS Online system has now gone live. HMRC asked Forum members for their experiences so far of the new system. Forum members have not yet used the new system; HMRC may revisit this item in future.

#### **Agenda Item 9 Review of the Forum**

- 46 HMRC are seeking the views of Forum members on how the Forum can be improved and made more effective. HMRC will email all Forum members shortly. Forum members are requested to provide feedback by the end of May. HMRC welcomed feedback by email or phone.

**Action Point – Sarah Mee to email forum members. This was completed on 24 April 2014.**

#### **Agenda Item 10 AOB**

- 47 Forum members raised concerns over how long HMRC has previously taken to circulate the minutes. HMRC committed to circulating the minutes internally over the next week, with a view to circulating to Forum members in early May.
- 48 Forum members asked if they could discuss matters raised at the Forum externally before the minutes were published. HMRC confirmed that Forum members were free to disclose items that had been discussed but that Chatham House rules apply and that the minutes will be the agreed record of what was said.
- 49 HMRC stated their intention to email forum members to clarify some of the points raised at item 2.

**Action Point – Rachel Nixon to email forum members. - This was completed on 22 April 2014.**