HMRC Pensions Industry Stakeholder Forum

Minutes of meeting held on 22 October 2014

Place: HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Attendees:

Name	Organisation
Ian Neale	Aries Pensions
Karen Goldschmidt	ACA
Paddy Millard	Tax Help for Older People
Teresa Preece	Chartered Institute of Taxation
Iain Mills	Zurich
Samantha Mann	CIPP
Paul Garwood	ICAEW
Ian Long	Aviva
Katharine Lindley	ATT
Jon Allen	ABI
Dave Roberts	NAPF
Vince Flanagan	ILAG
Kelly Sizer	LITRG
Rosie Kwok	SPC
Zac Gallagher	AMPS
Benjamin Mack	NEST
Catherine McAllister	APL
Steven Coe	TISA
Jo Gibson	HMRC (Chair)
Daniela Paul	HMRC
John Bhandal	HMRC
Paul Cottis	HMRC
Rachel Nixon	HMRC
Jon Prothero	HMRC
Owen Price	HMRC (Notes)
Beverley Davies	HMRC
Daniel Cross	HMRC

Apologies from Chas Roy-Chowdhury (ACCA), Larry Darby (LITRG), Malcolm Small (IOD), Neil Carberry (CBI), Carol Ferguson (ICAS)

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, all of which have been completed.

2 The chair reminded attendees that whilst they are welcome to report back most of the details of the meeting to the members of their representative bodies; where items are sensitive or confidential, HMRC expects attendees to treat the discussions in confidence (Chatham House rules).

Agenda Item 2 Pensions flexibility, including death benefits announcement

3 The Taxation of Pensions Bill was introduced to Parliament on 14 October 2014 and HMRC thanked stakeholders for their help up to this point.

4 HMRC will be seeking to introduce amendments to the Bill at committee stage to address a number of points raised by stakeholders. A number of attendees had submitted questions on the pension flexibility draft legislation which were discussed and answered.

5 HMRC advised that amendments to the PAYE RTI regulations will be made in due course. Attendees asked whether HMRC will automatically repay overpayments of Income Tax deducted when withdrawals are made under the new flexibility rules.

6 HMRC explained that where an end date is included on the relevant RTI submission, any overpayment would be refunded as part of the usual end of year PAYE reconciliation process.

7 Attendees welcomed this, although some expressed concern about the lack of an in-year repayment process to allow customers to make claims when overpayments occur early in the tax year. HMRC advised that this was an area of ongoing work with their PAYE colleagues to obtain clarity.

8 HMRC confirmed that they are aware of an issue relating to benefits in kind and guidance and are considering the issue.

9 HMRC confirmed that they will be looking to issue technical guidance after the Taxation of Pensions Bill receives Royal Assent. HMRC will also feed into the guidance being developed as part of the Government's plan to offer guaranteed guidance to those looking to take advantage of the new flexibility arrangements.

10 Attendees asked about HM Treasury's consultation on changing the rules denying tax relief on pension contributions made by individuals aged over 75. HMRC confirmed that whilst this is still under consideration, it is a longer term priority and is unlikely to be looked at in the near future.

11 Attendees asked whether HMRC is working with the Financial Conduct Authority. HMRC stated that whilst they are not liaising directly with the FCA, HM Treasury continue to work closely with the FCA, as do a number of stakeholder groups.

12 One attendee asked a question about stand-alone lump sums triggering a reduced annual allowance. HMRC agreed to provide a written response (see Appendix 1).

Action Point – HMRC to provide written response to reduce annual allowance question. Action closed – see Appendix 1.

13 Attendees noted that the extended scheme rule override did not cover small pots lump sums and emphasised that it would be beneficial.

14 Attendees asked if HMRC is planning to produce any tools to help customers to establish their marginal rate when making withdrawals under the new flexibility arrangements in each tax year. Attendees felt that the current PAYE calculator could be adapted to help customers with this. HMRC stated that they have no plans to produce such a tool. However HMRC stated that they are considering whether additional guidance, for example to help members with the money purchase annual allowance, can be provided in the specialist content area of GOV.UK.

15 Attendees asked about death benefits and the perpetuity period when nominating a beneficiary. HMRC confirmed that there is no perpetuity period and that uncrystallised benefits can continue to be passed on in the event of the death of a beneficiary.

16 Attendees discussed the situation that will arise in the 2015-16 tax year when individuals aged over 75 make flexible withdrawals from their pensions. Attendees pointed out that lump sum withdrawals will be taxed at a rate of 45 per cent, whereas income withdrawals will be taxed at an individual's marginal rate. Attendees asked if it will be acceptable for individuals to withdraw nominal sums as their lump sums, followed by more substantial amounts as income. HMRC confirmed that this would be allowable under the rules.

17 Attendees asked about the status of beneficiary funds. HMRC confirmed that whilst individuals will not be able to make contributions to beneficiary funds; they are otherwise considered to be pensions for most purposes.

18 Attendees were concerned about the introduction of guaranteed guidance and asked HMRC to what extent they are involved in this work. HMRC explained that guaranteed guidance forms part of the Department for Work and Pensions' Pensions Bill but that HMRC will provide input on any taxation aspects to ensure accuracy.

19 Attendees asked whether the new flexibility rules will affect the existing IHT position of beneficiary funds. HMRC confirmed that there was no policy intention to change the existing IHT position.

Agenda Item 3 Update on the Registered Pension Schemes Manual

20 The Registered Pension Schemes Manual (RPSM) has undergone an extensive update, affecting around 3000 pages of guidance.

21 The RPSM is currently still hosted on the HMRC website, however it will transition to the GOV.UK site shortly when the HMRC website is decommissioned.

22 HMRC plans to make further updates to the RPSM and hopes to discuss the proposed updates with the guidance user group in November.

23 Attendees asked about the structure of the RPSM following the transition to GOV.UK. HMRC explained that the structure will remain the same and it will still be aimed at technicians and practitioners.

24 Much of the most recent update had focused on eliminating duplication and HMRC is keen that further duplication is removed; resulting in much more streamlined guidance, which still meets the needs of users.

25 Attendees asked whether HMRC had any management information on use of the RPSM, for example the most popular pages and whether it was used by non-professionals. HMRC confirmed that they are aware of how many hits each page receives but could not establish from this which customer groups use the guidance.

26 Attendees raised concerns over some of the content which has been re-written for GOV.UK. Attendees felt that whilst generally the content is factually correct, it does not always explain things as well as content previously on the HMRC website. HMRC advised that there are some constraints on GOV.UK content but the concerns of stakeholders have been noted.

27 Attendees asked whether the current ‘what’s new?’ feature will be retained once content is transitioned to GOV.UK. HMRC confirmed that there will not be a ‘what’s new?’ page on GOV.UK but users will be able to subscribe to alerts, which notify them when changes are made. Attendees suggested that HMRC could use a blog to advise of guidance updates. HMRC stated that they have no plans to use a blog but that it was an interesting idea, which may be considered in future.

Agenda Item 4 Update on Annual Allowance Orders

28 HMRC provided an update on the Annual Allowance Amendment Order.

29 The consultation ended in August and the draft regulations are now finalised. HMRC is working through pre-scrutiny process and is aiming to lay the regulations around mid-November. The process from

laying usually takes about six weeks, so subject to approval, the regulations may take effect around the end of the year.

30 HMRC intends to circulate revised draft guidance when the regulations are laid and to work on those with stakeholders with a view to publishing a final version when the regulations take effect.

31 Attendees asked HMRC whether the regulations will include an element of retrospectivity. HMRC confirmed that in some cases the regulations will apply retrospectively and in other cases from the date the regulations are approved.

Agenda Item 5 Consultation on Dependants' Scheme Pension legislation

32 HMRC advised that it has received a number of responses to the consultation on Dependants' Scheme Pension legislation. However, delivering flexibility has been the priority and therefore less work has been done on this than HMRC would have liked.

33 Attendees asked if a change of Government in May would lead to this work no longer being taken forward. HMRC stated that whilst they are aware of the issue and understand the concerns stakeholders have, ultimately decisions on Government priorities are always a matter for Ministers.

Agenda Item 6 Update on progress on Scottish Rate of Income Tax

34 HMRC explained that they are working with the pensions industry to deliver the changes required to ensure that the Scottish basic rate is applied to the RAS process for Scottish taxpayers. HMRC explained that following the Government agreement, Pension Schemes have longer to implement system and IT changes, until April 2018, to accommodate RAS claims at the Scottish Rate.

35 HMRC explained that for the interim solution (in force for 2016-2017 and 2017-2018 tax years), scheme administrators can continue to claim RAS at the UK basic rate of tax for all members and HMRC will identify Scottish taxpayers and make any adjustments (depending on the rate set by the Scottish Government), to the relief given direct with the scheme member. This will be done either through the Self-Assessment process or PAYE coding.

36 HMRC provided an update on progress on the interim solution so far, that HMRC have been working with the pensions industry on the data quality on the RPSCOM100(Z) and were grateful of input from the industry. One attendee explained that going forward resource availability over the next year or so would likely be limited given all the other changes having to be implemented.

37 HMRC outlined the long term, strategic solution explaining that the process would shift to a digital process which includes a New Digital

Channel to be used from the 2018-19 tax year. HMRC will use the RPSCOM100(Z) data from the previous year to identify Scottish taxpayers. Then prior to the start of the next year HMRC will send the relevant status to the Pension Provider. In Year Changes resulting in any RAS shortfall/excess, will be corrected by HMRC systems. A process for 'new scheme members' is being identified and further information on this will be available in due course.

38 One attendee asked for more information on what the strategic digital solution would look like. HMRC explained that the HMRC representatives present weren't leading on this piece of work and were unable to provide any more information on this at this time. As soon as this was clearer, HMRC would communicate this to forum members.

Agenda Item 7 Any Other Business

39 One attendee raised the situation of individuals needing IP2014 approvals in circumstances with tight deadlines. HMRC advised that generally customers need to be aware of the average turnaround time for IP2014 approval and apply in plenty of time but in limited circumstances HMRC can offer a process to fast track applications.

40 An attendee asked whether HMRC will operate tax codes on withdrawals made under the flexibility regime. HMRC confirmed that unless an 'end date' is entered as part of the RTI submission, tax codes will be issued and PAYE operated as usual on withdrawals.

41 Attendees discussed pension liberation fraud. Some attendees had noticed an increase in transfers to QROPS schemes where the customer is remaining resident in the United Kingdom. HMRC stated that they welcome any intelligence around potentially fraudulent behaviour and asked attendees to forward this information to John Bhandal (john.bhandal@hmrc.gsi.gov.uk).

42 An attendee queried how double tax agreements applied for Non-residents receiving taxable lump sum death benefit payments. HMRC advised it depended on the specific agreement but most would regard the payment in the same way as any other taxable income as it was within the definition of "pension and other similar remuneration".

43 An attendee questioned whether any thought had been given to making serious ill-health lump sums available from crystallised funds. HMRC will raise this issue with HM Treasury.

44 A final technical question was raised by one attendee and HMRC requested that this be submitted in writing.

Appendix 1

Why do stand-alone lump sums trigger the money purchase annual allowance rules?

A stand-alone lump sum will trigger the money purchase annual allowance rules only if it is paid from a money purchase arrangement where the member has primary protection but not enhanced protection and protected lump sum rights exceeding £375,000.

This rule is needed as those in this position can often organise how they take their benefits in such a way as to take their tax-free lump sum up front through a stand-alone lump sum without taking any pension. These monies could then be contributed back into a pension scheme with additional relief.

As the purpose of the annual allowance rules is to prevent people accessing funds and effectively recycling them, it is right that receiving such a payment triggers the money purchase annual allowance rules. In practice we expect there to be very few of these payments.