



Minutes of meeting held on 7 October 2015

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

Attendees:

Name	Organisation
Katharine Lindley	Association of Taxation Technicians
Steve Coe	Tax Incentivised Savings Association
Dave Sadler	Aviva
Teresa Preece	Chartered Institute of Taxation
Paul Garwood	Institute of Chartered Accountants for England & Wales
Ian Neale	Aries
Stacey Bradley	Zurich
Phil Tilley	Society of Pension Professionals
Jillian Pegrum	Association of Consulting Actuaries
Rowan Howard	Association of Pension Lawyers
Larry Darby	The Low Income Tax Reform Group
Paddy Millard	Tax Help for Older People
Dave Roberts	National Association of Pension Funds
Susan Cattell	Institute of Chartered Accountants of Scotland
Zachary Gallagher	Association of Member-directed Pension Schemes
Samantha Mann	Chartered Institute of Payroll Professionals
Jo Gibson (Chair)	HM Revenue & Customs (HMRC)
Daniela Paul	HMRC
John Bhandal	HMRC
Sarah Kelsey	HMRC
Anne Smith	HMRC
Paul Cottis	HMRC
Sarah Mee	HMRC
Sally Dignum-Porter	HMRC
Lyndsey Johnson	HMRC

Apologies from: Caroline Escott (APFA), Neil Carberry (CBI), Malcolm Small (IoD), Chas Roy-Chowdhury (ACCA) and Vince Flanagan (ILAG).

Agenda Item 1 Introduction, domestics and actions

- 1 The Chair welcomed attendees, introductions were given and domestics were covered. There were no action points from the last meeting.

Agenda Item 2 Pension Schemes Services – Policy Team Update

Pension reforms

- 2 HMRC explained that the consultation on pension reforms has now closed but that there had been hundreds of responses and that HMRC and HM Treasury are currently working through these consultation responses as well as feedback from the face to face meetings which many members of the forum had attended.
- 3 HMRC couldn't commit to a timeline for the published consultation response but thanked everyone for their input.
- 4 One attendee asked how HMRC decided who to invite to the face to face meetings on the proposed pension reforms, as not all forum members were invited. HMRC explained that the meetings were jointly held by HM Treasury and HMRC and attendees were invited to reflect the breadth and diversity of the pensions industry whilst remaining manageable and meaningful.
- 5 Attendees asked whether there would be other pension industry meetings or workshops on the pension reforms. HMRC explained that this would depend upon the outcome of the consultation but that if needed further meetings were a possibility.
- 6 An attendee asked about the progress of reforms on annuity resale which were intended to be introduced in 2016 but which had been delayed until 2017. HMRC confirmed that these were still planned for 2017 but explained that these were rescheduled for 2017 to allow more work on the consumer protection elements of the changes.
- 7 Attendees asked about what the next steps were regarding the consultation. HMRC explained that after the responses had been read and collated HMRC and HMT would work on a summary, picking out the general response themes which would go to Ministers.

Salary sacrifice and Employer-Financed Retirement Benefits Schemes (EFRBS)

- 8 HMRC explained that the informal consultation on EFRBS was still ongoing and would be until the end of October. HMRC are collating information but couldn't commit to a timeline. HMRC confirmed that as soon as the informal consultation had closed and when available HMRC would provide more

information on this.

- 9 Attendees asked whether salary sacrifice was included in this consultation and HMRC confirmed that it was.

Normal minimum pension age increase

- 10 HMRC explained that whilst the Government are committed to this happening, this had been delayed pending outcome of the wider consultation on pension reforms. HMRC will provide more information on this as soon as it becomes available.

Dependants' Scheme Pensions

- 11 HMRC continues to look at options to amend legislation relating to dependants' scheme pensions and is still looking to do this at the earliest possible opportunity. HMRC acknowledged the possibility that this may get overtaken by pension reform but remains hopeful that this will be addressed earlier.
- 12 HMRC explained that any changes to the dependants' scheme pension legislation would need Ministerial approval.
- 13 Attendees explained that pension flexibility had created less certainty about dependants' scheme pensions because it wasn't always clear as to when to pay out a dependants' scheme pension or whether benefits could be paid out flexibly.

Agenda Item 3 Annual allowance

- 14 HMRC explained that the tapered annual allowance legislation (Finance Bill (2) 2015) is going through committee stage. The committee will end on 20 October 2015 so the timescale is quite short with the expectation that the pension clauses will be debated week commencing 12 October 2015.
- 15 HMRC explained that the Finance Bill (2) 2015 was not published in draft legislation so there was no consultation on this. HMRC explained that anomalies in the legislation for transitional rules relating to annual allowance scheme pays and savings statements will be fixed.
- 16 Attendees were concerned that individuals might be affected by the rules regarding the tapered annual allowance once salary sacrifice is added back to any member contributions and asked whether there were any plans to address this in the legislation. HMRC explained that there were no plans for changes relating to salary sacrifice.
- 17 HMRC explained that making changes would mean that people may use salary sacrifice as a way of avoiding the tapered annual allowance rules.

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- 18 Attendees explained that most individuals are not trying to use salary sacrifice to get round the tapered annual allowance rules and expressed concern that individuals may get caught out because they aren't aware of how salary sacrifice interacts with the tapered annual allowance rules. Attendees asked HMRC to consider messages for individuals on this point.
- 19 HMRC explained that the Pensions Tax Manual will be updated to reflect the tapered annual allowance rules and that information will also be included in Pensions Newsletters.
- 20 HMRC acknowledged that the transitional rules relating to aligning PIPs also had an impact on the requirement for schemes to provide pension savings statements.
- 21 Following the announcement at the Summer Budget about changes to the annual allowance, HMRC explained that it is likely that the regulations would be amended in due course to ensure that pension scheme administrators only had to provide a pension savings statement at the end of the tax year.
- 22 HMRC also explained that the legislation also requires a pension savings statement to be provided if the member exceeds the annual allowance but attendees said that there could be circumstances where scheme administrators wouldn't know that the individual has exceeded the annual allowance over both parts of the transitional tax year. HMRC explained that they were looking at how to address this.
- 23 Attendees were also concerned with the impact on scheme pays legislation. HMRC confirmed that amendments to the regulations could also include any necessary schemes for scheme pays
- 24 One attendee pointed out that HMRC had asked for comments in Pension Schemes Newsletter 71 and asked what the timescale was for providing any feedback to HMRC. HMRC explained that work on draft regulations continues and that comments will be taken into account when drafting these. The aim is to publish the draft regulations later this year for comment. HMRC encouraged attendees to provide their comments/feedback on how the current rules could be changed to help individuals, but without over burdening scheme administrators, as soon as possible.
- 25 Attendees asked if guidance will be available for scheme administrators and HMRC confirmed that guidance will be published as soon as available. Attendees welcomed articles from HMRC that they can forward to their members or reproduce in their publications.
- 26 As well as requesting more guidance on the transitional rules and the tapered annual allowance, attendees commented that they found it difficult to find guidance on GOV.UK and preferred the format and style of the old HMRC website to the more basic guidance provided on GOV.UK. Attendees requested that guidance reflects and includes questions from individuals.

- 27 HMRC explained that pension content on GOV.UK is in line with publishing conventions set by Government Digital Services so there are strict guidelines regarding what, when and how content is published. However HMRC confirmed that GOV.UK content would be updated and that the Pensions Tax Manual and Pension Schemes Newsletters would continue to provide additional guidance for pension scheme administrators.

Agenda Item 4 Lifetime allowance

- 28 HMRC confirmed that from April 2016 there will be two new protection regimes for people to use to protect their pensions savings from the reduced lifetime allowance. These will be Fixed Protection 2016 (FP2016) and Individual Protection 2016 (IP2016).
- 29 HMRC explained that these regimes would almost mirror the last regimes however the main difference will be how and when individuals apply for protection. Unlike previous protection regimes, pension scheme members will be unable to apply for protection in advance.
- 30 HMRC confirmed that there would be no application deadline for these protections however if a member wants to rely on FP2016 or IP2016 when they take benefits they will need to apply for protection to obtain a reference number to provide to their pension scheme administrator.
- 31 HMRC confirmed that people need to consider the reduction in lifetime allowance when making decisions about levels of salary and pension savings for the 2016 to 2017 tax year.
- 32 HMRC explained that a new online self-service for pension scheme members to apply for protection will be available for members to use from July 2016. Members will no longer receive a lifetime allowance protection certificate. Instead once they have successfully applied for protection, the online service will provide them with a reference number which they will need to keep and provide to scheme administrators when they take benefits and want to rely on IP2016 or FP2016.
- 33 HMRC acknowledged that there will be a period between the new protection regimes becoming available in April 2016 and the introduction of the new online self-service in July 2016. For this period HMRC confirmed the introduction of an interim process for pension scheme members who want to take benefits before the introduction of the new online service.
- 34 HMRC explained that scheme members will be able to write to HMRC between April 2016 and July 2016 and HMRC will check the details of their protection and respond to the member in writing. This can then be presented to the scheme administrator in advance of the full application being made after July 2016.

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- 35 As well as a new online application service for pension scheme members, HMRC also explained that a new online service will be available for scheme administrators to check the protection status of their scheme members. HMRC explained that they are currently exploring design options for what this will look like and will provide more information on this in due course.
- 36 Attendees asked what information the online service would provide scheme administrators with. HMRC said that no member details would be provided. On entering the reference number HMRC explained that if the member has IP2016 the online service will only show the scheme administrator that the individual has IP2016 and the amount of IP2016 available. If the member has FP2016 the system will only show the scheme administrator that the individual has valid FP2016.
- 37 Attendees asked whether the system will be updated if the individual has several pension schemes. HMRC confirmed that this formed part of the longer term strategy.
- 38 Attendees asked about the incentive for members using the interim process so that they can take benefits before July 2016 to go through the correct application process when the online system is up and running after July 2016. Attendees also asked what the incentive is for scheme administrators to continue to chase for the online reference number if the member has crystallised their pension savings during the interim process. HMRC explained that scheme administrators will still need to report the permanent reference number on the Event Report so they have an obligation to obtain this from the member, regardless of when they take their benefits. In addition, for compliance purposes HMRC will have details of the individuals using the interim process so can monitor their online applications.
- 39 Attendees and HMRC agreed the need for published structured guidance and HMRC confirmed that guidance on the protection regimes will be provided.
- 40 HMRC explained that the new process for applying for protections created a mismatch between individuals who can still apply for Individual Protection 2014 (IP2014) (individuals can continue to apply for IP2014 until April 2017).
- 41 HMRC confirmed that the IP2014 will be migrated across to the new system. Any individual with existing certificates will still be able to get duplicate certificates but after July 2016 these individuals will receive a reference number and won't get a certificate – this is in line with the new protection regimes.
- 42 HMRC explained that there may be an opportunity to demonstrate the new service. This will work by creating a private beta service for HMRC to trial with some customers. HMRC are currently reconciling the timescale for this and will provide more information when it's available. Attendees welcomed any advance sight of the service such as example screen shots or the opportunity to see how the service works.

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- 43 Attendees asked whether the IP2016 and FP2016 application process would only be available as an online option. HMRC explained that they are aware that there are certain customers who can't use an online service. HMRC are working on a third party service for individuals to apply on behalf of the member. Currently an individual can only be authorised to operate for five individuals however HMRC is looking at whether this number can be increased.
- 44 HMRC explained that more detail would be included in the next (and subsequent) newsletters but asked attendees to provide any feedback to the Business Delivery mailbox at pensions.businessdelivery@hmrc.gsi.gov.uk .
- 45 The forum discussed anomalies in how some things work in current legislation which had been highlighted by the lifetime allowance changes. Attendees asked if these can be looked at before the legislation is passed. HMRC hoped to provide draft legislation for informal consultation at the end of the year.
- 46 Attendees asked whether anomalies with IP2014 will be corrected and HMRC confirmed that the intention was to correct these, Finance Bill space permitting.

Agenda Item 5 Pensions Tax Manual

- 47 HMRC thanked attendees for comments on the Pensions Tax Manual.
- 48 HMRC explained that work to update the Pensions Tax Manual was behind the published schedule as work was also being undertaken to migrate the Manual to GOV.UK.
- 49 The Pensions Tax Manual is expected to be one of the first manuals to be migrated across to GOV.UK. HMRC are currently working on migration checks and incorporating comments received and confirmed this work should be completed soon.
- 50 Although HMRC couldn't provide an exact timescale for the Pensions Tax Manual to be published following the update, HMRC will email forum members and publish something in the Pensions Newsletter when the timescale is clearer.
- 51 HMRC explained that the mailbox for comments on the Pensions Tax Manual will remain open and forum members can continue to submit any comments to the mailbox at ptm.consultation@hmrc.gsi.gov.uk
- 52 HMRC explained that a summary of any substantive changes made to the Pensions Tax Manual as part of this update will be made available but minor formatting changes/corrections won't be included
- 53 HMRC explained that in future once the Pensions Tax Manual has migrated across to GOV.UK there will be an update tab which will contain details of

changes to the manual.

- 54 Attendees asked whether there would be a search function for the manual. The Registered Pension Schemes Manual had the function to search the contents of the manual.

Action Point 1 HMRC to confirm to attendees whether the Pensions Tax Manual will have a contents search function

- 55 Attendees asked whether the Registered Pension Schemes Manual would continue to be available. HMRC explained that the Pensions Tax Manual represents the current HMRC guidance on GOV.UK. The Registered Pension Schemes Manual has not been updated for over a year and will continue to be available but through the National Archive website.
- 56 Attendees asked what the position is regarding consumer guidance. HMRC explained that as part of the transition to GOV.UK all other HMRC guidance relating to pension schemes had moved across to GOV.UK. Attendees fed back that they preferred the style, tone and content of guidance on the old HMRC website to the guidance currently on GOV.UK.
- 57 HMRC explained that all guidance has to meet GOV.UK standards. HMRC went on to explain that within publishing conventions of GOV.UK an area has been created for pensions content with pension scheme administration pages so that this content is easier to find. In addition there is a GOV.UK page devoted to the latest changes to pensions content and customers can sign up to receive email alerts when new pensions content is added or existing content is amended.
- 58 HMRC explained that adding and amending GOV.UK content is all user needs driven. On each GOV.UK page there is a link for customers to comment directly on the content on that page. Alternatively members of the forum can contact the Business Delivery and Change Team to provide feedback on GOV.UK. Forum members should email pensions.businessdelivery@hmrc.gsi.gov.uk and include GOV.UK Feedback in the subject line of the email. Where possible, HMRC asked that feedback should include or refer to specific user needs.

Agenda Item 6 Pension flexibility

- 59 Pension flexibility has been in place for six months. HMRC continues to have ongoing discussions with the pensions industry about pension flexibility. HMRC provided more guidance on flexibility reporting in Pension Schemes Newsletter 72.

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- 60 HMRC acknowledged that it is not currently mandatory for scheme administrators to report pension flexibility payments and that currently for scheme administrators who do report these, the flexibility indicator on the Real Time Information submission simply required a yes or no response.
- 61 HMRC confirmed that from 6 April 2016 reporting pension flexibility payments will be mandatory and that more information will be required on these payments. HMRC explained that the Real Time Information flexibility reporting will change. As well as the indicator there will be two new data items to include value fields for taxable and non-taxable elements.
- 62 HMRC also explained that Real Time Information flexibility reporting could be done on the same payroll ID, however HMRC understood that some systems have been designed to report under separate payroll IDs and that this could continue.
- 63 For scheme administrators reporting both flexible and non-flexible payments, the non-flexible payment should be reported as normal. The flexible payment should be reported under the new indicator. If there is no non-taxable element scheme administrators should enter this as zero.
- 64 Attendees hoped that the Pensions Tax Manual will provide guidance on and answer outstanding questions about pension flexibility. One attendee flagged up paragraph 73 in the minutes from the last Pensions Industry Stakeholder Forum and explained that there is still uncertainty about AVCs and how these should be treated under the pension flexibility rules when working out what and how benefits can be paid. The attendee explained that this query had been submitted to the Pensions Tax Manual mailbox.

Action Point 2 **HMRC to provide a response in the minutes.** Action closed – see response below.

HMRC is considering all the responses received in respect of the Pensions Tax Manual.

HMRC is looking at RPSM09104280 and following pages with a view to incorporating relevant examples in the Pensions Tax Manual.

HMRC will continue to consider all comments received in respect of the Pensions Tax Manual when considering future updates.

- 65 Another attendee explained that pension flexibility was creating unintended consequences for people claiming benefits. For example, people taking a lump sum from their pension scheme under the pension flexibility rules were, in some cases, seeing their state benefits being adversely impacted. Attendees felt that the guidance provided by Pensionwise did not cover the

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interaction with benefits and was not as specific as they were led to expect.

- 66 Attendees fed back that in some cases Pensionwise workers were seeking further advice and help from some of the forum members to look at how these rules interact with the state benefit rules.
- 67 Two attendees explained that they would be seeking an audience with the Pensions Minister to discuss this in more detail and asked that members of the forum provide any further feedback or examples which might illustrate this points. HMRC to include contact details to attendees by email.
- 68 Attendees also fedback that the level of expertise received from Pensionwise varied depending on the call handler.
- 69 Attendees asked again about the position on pension flexibility and people exercising their cancellation rights in cases where they've changed their mind. HMRC explained that this is under review and will provide guidance on this as soon as this is available.

Agenda Item 7 Scottish rate of Income Tax

- 70 HMRC said that information about Scottish rate of Income Tax and relief at source had been published in Pension Schemes Newsletter 72.
- 71 HMRC explained that over the last year, there had been a big push to help get scheme administrators operating relief at source pension schemes to successfully submit their 2013 to 2014 annual return of individual information (also known as the RPSCOM100(Z)). In cases where scheme administrators had failed to successfully submit this, HMRC had stopped interim relief at source repayments pending successful submission.
- 72 HMRC explained that for the 2014 to 2015 annual return of information scheme administrators will have three opportunities to submit this information successfully. HMRC explained that it will be crucial with the introduction of the Scottish rate of Income Tax that this information is accurate and on time because the member information contained on the annual return of individual information will be used to ensure that members get the right amount of tax.
- 73 HMRC said that if failure occurs on the third submission HMRC will stop all future interim repayments until a further re-submission is received and is deemed successful.
- 74 HMRC confirmed that this was a hard line approach but explained that annual returns of individual information are still outstanding for the 2013 to 2014 tax year as well as for the 2014 to 2015 tax year. HMRC will continue to work with scheme administrators to help them submit successfully.

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- 75 HMRC also explained that for the 2014 to 2015 and 2015 to 2016 annual return of individual information, the deadline would continue to be 5 October.
- 76 However HMRC confirmed that for the 2016 to 2017 return, the deadline will be brought forward to July 2017. This means that the Notice to provide the information for the 2016 to 2017 tax year will be issued in February 2017 and successful submission of the return needs to be made by 5 July. This will enable HMRC to respond to scheme administrators regarding which members should receive tax relief at the Scottish rate.
- 77 HMRC explained that getting the right tax rate for new members still poses a problem but it is likely that these members will have the UK rate applied. The Scottish rate of Income Tax Project are still working on this and will come back out to the pensions industry to discuss options and provide more detail.
- 78 Attendees were concerned because recent workshops had been cancelled and felt that engagement had stalled. HMRC explained that work continues on this. HMRC confirmed its commitment to work with the pensions industry on this and explained that work on operational issues continues.
- 79 HMRC explained that GOV.UK was being updated to include pages dedicated to providing information about the Scottish rate of Income Tax and that these would be updated to provide information to taxpayers, employers and scheme administrators.
- 80 HMRC explained that later this year a mailshot will be sent to 2.6 million individuals, who based on our records have their main residence listed as Scotland and asking them to contact HMRC if this is not correct. Attendees thought this may result in increased contact from pension scheme members who make the connection between Scottish rate of Income Tax and the amount of tax relief they received on their pension savings. Attendees felt that it would be useful to have advance sight of the message to help them manage contact.
- 81 HMRC said that they would look to provide information on this in a future Pension Schemes Newsletter.

Agenda Item 8 Any other business

- 82 One attendee asked about benefits crystallisation event 5D – the lifetime allowance charge for annuities on death. HMRC explained the Pensions Policy Team are aware of this issue and will consider whether to address in due course.
- 83 One attendee asked about the process for registering pension schemes with HMRC and fed back that this felt like an emergency process at the time it was introduced but noted that the process is still in place now. The attendee asked

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if this is now business as usual. HMRC confirmed that this is business as usual and has been very effective in combatting pension liberation. HMRC risk assesses every application for registration and since moving away from a process now check later process the number of applications for registration has fallen away.

- 84 HMRC explained that the new process provides less opportunity and less incentives for fraudsters to register scheme.
- 85 HMRC said that 75 per cent of schemes are opened within seven days and where delays occur, this is usually because the scheme administrator does not get back to us with the information requested.
- 86 HMRC will publish the next set of registration statistics in Pension Schemes Newsletter 73.
- 87 HMRC also confirmed that retrospective checks are made of schemes that have registered to check that they are operating as stated at registration.
- 88 One attendee asked about the recent QROPS stakeholder forum and wanted to know when HMRC would provide an update on it. HMRC confirmed that an article about the QROPS forum had been included in a recent newsletter.

Action Point 3 **HMRC to provide a link to the Pension Schemes Newsletter that includes the article about the QROPS stakeholder forum.** Action closed - [Pension schemes newsletter 71 - August 2015 - GOV.UK](#) provides more information.

- 89 Attendees requested consultation on the change to the non-domicile process. Attendees asked for the HMRC message on transferring corresponding approval.
- 90 Attendees said that schemes are asking if they can repay funds. HMRC explained that this depends on the information coming in and the individual facts of each case. There is a legal issue around who owns this money. HMRC are working through technical issues.
- 91 Attendees asked about trustees in bankruptcy and pension flexibility. HMRC explained that advice was being sought on this and more information will be provided in a future Pension Schemes Newsletter and via GOV.UK.
- 92 Attendees also raised issues with how pension sharing on divorce interacts with pension flexibility. If someone has a pension pot which is taken into account as part of a divorce settlement, they can avoid paying monies based on this by taking the whole fund out under pension flexibility for example old earmarking orders would stipulate a percentage of the pension that could be

taken as part of a divorce settlement. Flexibly accessing the pot as a lump sum gets round this. HMRC will consider this issue.

- 93 One attendee fed back that the ROPS notification process seems to be a process now check later process and this posed a worry for scheme administrators carrying out pre transfer checks.

In addition attendees asked whether regulations will be introduced to address a gap in legislation where an individual who is in drawdown in a registered pension scheme transfers to a QROPS and then subsequently decides to move their benefits back to the UK. Currently there is no reporting requirement to give the receiving registered pension scheme administrator any indication that the scheme has originally crystallised and that there may be lifetime allowance and lump sum implications.

HMRC confirmed that they were aware that this is an issue and hope to address this in regulations shortly.

- 94 An attendee asked HMRC to consider providing more guidance on bulk transfers and defined benefits credits. Attendees felt that the legislation is clear but the guidance could provide additional detail. HMRC will consider what additional guidance is needed.
- 95 One attendee raised points about the interaction between GMP and annual and lifetime allowance and asked why GMP rights can't be used to pay the LTA charges.
- 96 Attendees asked about progress on amendments to the bridging pension legislation. HMRC explained that this was still due to be reviewed however this had been delayed because of the changes to the state pension. HMRC confirmed that once these changes took effect HMRC would revisit bridging pensions.
- 97 One attendee explained that there could be an issue with auto enrolment and fixed protection self-certification. HMRC explained that they are aware of this issue and are discussing this with Department for Work and Pensions.