



Minutes of meeting held on 19 October 2016

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

Attendees:

Name	Organisation
Carol Johnson	Association of British Insurers
Karen Goldschmidt	Association of Consulting Actuaries
Zachary Gallagher	Association of Member-directed Pension Schemes
Claire Van Rees	Association of Pension Lawyers
Dave King	Aries
Katharine Lindley	Association of Taxation Technicians
Richard Wyatt	Chartered Institute of Taxation
Samantha Mann	Chartered Institute of Payroll Professionals
Susan Cattell	Institute of Chartered Accountants of Scotland
Paul Garwood	Institute of Chartered Accountants for England & Wales
Vince Flanagan	Investment and Life Assurance Group
Michael Martins	Institute of Directors
Benjamin Mack	National Employment Savings Trust
Averil Logan	Pensions and Lifetime Savings Association
Shona Harvie	Pensions Research Accountants Group
Phil Tilley	Society of Pension Professionals
Paddy Millard	Tax Help for Older People and
Joanne Gibson (Chair)	HM Revenue & Customs (HMRC)
Anne Smith	HMRC
Daniela Paul	HMRC
John Bhandal	HMRC
Sarah Mee	HMRC
Jason Price	HMRC
Joseph Wood	HMRC
Cynthia Fulton	HMRC
Charlene James	HMRC

Apologies from: Neil Carberry (CBI), Kenn Taylor (TISA), Iain Mills (Zurich), Larry Darby (LITRG), Chas Roy-Chowdhury (ACCA), Dave Sadler (Aviva)

Agenda Item 1 Introduction, domestics and actions

1. The chair welcomed attendees, introductions were given and domestics were covered. The action point from the last meeting was covered – this was closed.
2. One attendee asked if HMRC could provide a log with the points under consideration. HMRC explained that this would not be possible but that updates are provided on items that were previously discussed if there is something to report

Agenda Item 2 Pension Schemes Services – Policy Team update

Secondary Annuities market

3. HMRC made reference to the announcement of the government's decision not go forward with creating a market for Secondary Annuities. HMRC confirmed that the decision was made out of concerns over consumer protection and regulating the market.
4. HMRC confirmed there will be no changes to the existing tax rules and that it will be business as usual.
5. HMRC also confirmed that as a result, there are no plans to publish a response to the consultation document.
6. HMRC thanked forum members for all their help and contributions on what was an extremely complex measure covering a number of government departments.

Bridging Pensions

7. HMRC confirmed that the bridging pension regulations, that align the tax rules with the Department of Work and Pensions state pension age, have now been made and laid. The regulations will come into force on 8 November 2016 and will apply from 6 April 2016.
8. One attendee noted that the regulations were prescriptive and did not include their earlier suggestion in response to the consultation to allow bridging pensions based on the new state pension to be permitted as an alternative for a scheme.
9. HMRC explained that the regulations have been tested and work as intended but welcomed any feedback. Attendees should submit any feedback on these regulations to pensions.policy@hmrc.gsi.gov.uk.

QROPS workshop.

10. HMRC explained that following on from the QROPS workshop held in July 2015, as promised, a follow-up workshop is being planned for one of three possible dates in December 2016
 - 12 December 2016 from 11:00 to 14:00
 - 16 December 2016 from 13:00 to 16:00
 - 22 December 2016 from 13:00 to 16.00

11. Forum members interested in attending should contact HMRC at pensions.policy@hmrc.gsi.gov.uk by mid-November, with their name and preferred date.

Action point 1 - HMRC to email forum members with details of the times and dates. Action closed - HMRC emailed forum members with details on 20 October 2016

Agenda Item 3 Pensions Project Team Update

Annual Allowance

12. HMRC thanked everyone who participated in the annual allowance user research and explained that the new annual allowance calculator launched on 28 September 2016.

13. HMRC explained that the calculator had been launched as a beta version and HMRC want further user feedback and evidence of user needs from customers and stakeholders to drive further improvements to the calculator.

HMRC confirmed that changes are being made based on feedback received and will add in the 2012 to 2013 tax year into the calculator as a priority (hopefully by the end of October 2016).

14. HMRC confirmed they have a list of other changes to the calculator and they will prioritise these further amendments between the end of November and December 2016.

15. HMRC encouraged more feedback particularly from members and explained the importance of external user research in the design, development and review of tools and guidance. HMRC also explained that although it hasn't been possible to reply to all feedback personally, all feedback will be considered when updates are being made.

16. One attendee thanked HMRC for adding the 2012 to 2013 tax year as a matter of urgency. The attendee explained there will still be cases where earlier years matter and that without amendments the calculator may give an

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incorrect tax charge. The attendee asked that HMRC highlight this for those using the calculator.

17. HMRC confirmed that changes will be made to the landing page to caveat any issues with the calculator.
18. HMRC explained that their aim is to have one tool that covers everything and meets all requirements.
19. HMRC explained they will work with the development team to discuss priorities and welcomed feedback on priorities from attendees.
20. One attendee asked if HMRC could release the list of changes as this would be helpful in providing feedback on the priority of future amendments. HMRC confirmed they will circulate a list to forum members.

Action point 2 – HMRC to email the list of changes to forum members. Action closed. HMRC emailed this to forum members on 8 November 2016.

21. Attendees agreed that the old calculator is very useful but the 2015 to 2016 tax year in the old tools hasn't been updated to reflect the changes announced at Summer Budget 2015 and asked that the 2015 to 2016 line be removed to avoid confusion. HMRC confirmed this will be revisited as a priority.

HMRC confirmed that the 2015 to 2016 annual allowance transitional year is covered in the pension tax manual and asked if attendees had any further questions about this.

Action point 3 – HMRC to revisit the old calculator as a priority.

22. Another attendee explained that feedback from members highlights difficulties in calculating adjusted or threshold income so customers can't use the calculator. Members aren't always aware if they are affected by the tapered annual allowance so attendees asked that the front end of HMRC's annual allowance calculator explain this. Instead members are defaulting to use other provider tools to help decide if they are affected by the tapered annual allowance and to calculate their adjusted or threshold income.
23. One attendee pointed out that there is no warning about salary sacrifice and whilst there is a link to technical pages this is not easy for members to follow.
24. HMRC thanked forum members for their feedback and encouraged them to add to the list of changes and rank the list in order of priority.
25. One attendee explained that some members are not aware of tax charges arising from tapered annual allowance and consequently don't report to HMRC. The attendee explained that scheme administrators and employers don't have full details of a member's income for example bonuses and other personal income. So to make sure they alert members of their schemes that

are affected, pension scheme administrators may have to write to all their members with income of £70,000 or above in case they may be caught out by tapered annual allowance. Attendees fed back that this is administratively burdensome for pension scheme administrators.

26. HMRC asked attendees to let HMRC know if there is anything that could be done to help with this and how best to highlight this to members other than in the Newsletter.
27. Attendees asked if the personal tax return could be amended to include additional annual allowance income help and information. HMRC explained that the personal tax return is not being updated to include this, but that SA notes accompanying the form would be reviewed to see if any additional help can be provided.

Action point 4 – HMRC to review both the paper and online help text for the personal tax return to see if changes can be made relating to tapered annual allowance.

28. One attendee suggested a warning flag could be added to the personal tax return where income goes above the threshold income of £110,000. HMRC explained it was highly unlikely that this would happen, but they would take an action to look at this.

Action point 5 – HMRC to explore the possibility of adding a warning message on the personal tax return.

29. The attendee also explained that there is still confusion around when an individual can claim scheme pays and as a result some members can find themselves with a large tax bill which they mistakenly believed the scheme would pay. The attendee asked that HMRC do more to help individuals understand when they can ask their pension scheme administrators for scheme pays.
30. HMRC thanked forum members for their feedback and explained that this helps to build a business case for guidance on GOV.UK and the calculator.
31. HMRC confirmed that there is work in progress to look at annual allowance content on GOV.UK to improve the customer journey and provide clearer guidance on tapered annual allowance.
32. Attendees asked whether there are plans to change the Pensions Tax Manual (PTM) to be clearer on salary sacrifice. HMRC explained that guidance on salary sacrifice is contained within the Employment Income Manual (EIM) and customers should refer to the EIM for HMRC's guidance on this. As such guidance on salary sacrifice will not be included in the PTM.

33. One attendee explained that in 2009 HMRC had produced some guidance on what counted as new or old salary sacrifice as part of policy papers for a proposed new measure. Attendees found this guidance very useful and explained that HMRC had previously confirmed that they still follow that guidance. The guidance is not currently on HMRC's website and attendees asked if HMRC could make this available as part of the guidance.

Action point 6 – HMRC to explore if this salary sacrifice guidance can be published on GOV.UK.

34. One forum member asked why a statement must be issued in the first year that someone is subject to money purchase annual allowance (MPAA). HMRC explained that this is because members need the information to give to other pension scheme administrators.
35. One attendee said they thought that if a member's money purchase contributions exceeded £10,000 in the part year following first flexible access they would definitely have a tax charge and a statement should be issued, whereas the law states if contributions exceed £10,000 in a "whole" year a statement should be issued.
36. The attendee explained that the law only requires a pension savings statement to contain all money purchase savings for the whole of a tax year rather than the part of the year following flexi access.
37. HMRC explained that this was to keep the pension tax rules simple but asked forum members to let them know, using the Policy Team email address, pensions.policy@hmrc.gsi.gov.uk if this is causing problems.
38. HMRC welcomed any other feedback on how the pension statement process is working.
39. The attendee explained that this had been raised previously to be included in the PTM along with other PTM content requests but nothing had been added to PTM following these requests. HMRC asked the attendee to resubmit these requests with supporting evidence and explanations for why they should be included in the manual to ptm.consultation@hmrc.gsi.gov.uk
40. One attendee explained that the Registered Pension Schemes Manual had a very useful flowchart on AVCs and asked if this could be reintroduced. HMRC explained they can't change the PTM in every case but will consider requests that are submitted.

Action point 7 – Attendees to resubmit PTM content requests to HMRC and HMRC to review the requests and provide feedback on items that won't be included in the PTM.

Lifetime Allowance

41. HMRC explained that the new online service for pension scheme members to apply to protect their pension savings launched on 28 July 2016. HMRC published figures in Pension Schemes Newsletter 81 confirming how many applications had been submitted using the online service.
42. HMRC confirmed that since the launch of the online service 25,000 customers had applied through the lifetime allowance online service and this had far exceeded expectations. HMRC also confirmed changes to the service have been made following user feedback.
43. HMRC confirmed that additional functionality allowing individuals to amend their individual protection 2014 (IP2014) and individual protection 2016 (IP2016) online is due to go live mid November 2016. This means that individuals will be able to go online to add a pension debit or correct a mistake in the values they provided at the time of their application.
44. HMRC also hope to add additional functionality to the online system in the first quarter of 2017 to allow individuals to tell HMRC they have lost protection and see instantly in their personal tax account if their protection is valid.
45. HMRC will provide updates through Pension Schemes Newsletters as normal.
46. HMRC hope that the pension scheme administrator look up service will go live sometime between November 2016 and the first quarter of 2017.
47. HMRC confirmed that individuals can now print a PDF page from the online service showing details of their protection along with their national insurance number and member details. This coupled with the look up service should meet the pension scheme administrator's needs to be able to check the protection status of scheme members.
48. HMRC explained how the look up service would work. When the correct two reference numbers are entered, a message will confirm whether the reference numbers relate to a valid protection. For IP2014 or IP2016, if the member holds valid protection the message will confirm the protection is valid and also show the value of the individual protection. If the reference numbers entered do not match or the status of the protection is not open then the message will show there is no valid protection.
49. One attendee pointed out that an individual may not have protection on a certain date and process the case in real time with no protection but retrospectively it may turn out to be valid. The attendee explained it would be helpful if they could see a history of an individual's protection history.
50. Attendees asked if it would be possible for the pension scheme administrator look up service to include member details and details of a member's protection history. HMRC explained that they are unable to give

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administrators access to this information because feedback has been that members do not want to share anything more than their current protection status.

51. HMRC intend to launch the validation service but are still considering the need for an authenticated service. An authenticated service would provide member specific details and as such users would need to sign into the service via the secure government gateway. A validation service would not provide member specific details so would not require secure sign in.
52. HMRC asked attendees for feedback on whether to launch the validation service for scheme administrators first and work to provide an authenticated service in the longer term. Attendees should send feedback to pensions.businessdelivery@hmrc.gsi.gov.uk.
53. One attendee reiterated the complexities around members applying to protect their pension savings after benefits crystallisation events have occurred. Attendees explained the importance of having a print facility including the date printed so pension scheme administrators can show they have taken due care at the point of paying benefits.
54. Another attendee asked HMRC to provide clarification that IP2016 and fixed protection (FP2016) are retrospectively active from 6 April 2016 or from the date that a dominant protection was lost.

Action point 8 – HMRC to provide clarification on the date a member is protected for lifetime allowance purposes in the next Newsletter. Action closed – clarification included in Pension Schemes Newsletter 82 published 4 November 2016.

55. Attendees also asked if the GOV.UK guide 'Value your pension for lifetime allowance protection' is correct in respect of members in drawdown before April 2016. HMRC explained that this guide is currently being reviewed following feedback received and confirmed that this will be updated as soon as possible.

Pension Flexibility

56. HMRC explained there was nothing new to update on pension flexibility but asked attendees if there were any questions.
57. One attendee commented that to date the money purchase annual allowance hadn't operated across a regular tax year (because as a result of Summer Budget 2015 the 2015 to 2016 tax year is treated as two mini tax years) these pension tax rules hadn't been fully tested.

Relief at source/Scottish rate of income tax

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58. HMRC are continuing to review options for the digital solution and confirmed that some early proposals were shared with the pensions industry. This was to inform pension providers to enable them to provide feedback, as well as to start to plan for IT changes they may have to make.
59. HMRC explained that user research about the processes scheme administrators currently use for submitting their annual returns of individual information is ongoing to understand how the proposed solutions will impact their organisation and IT. Feedback from users will help HMRC to develop the best workable solution for both pension scheme administrators and HMRC. HMRC will provide further updates when they have more detailed solutions.
60. So far HMRC have contacted customers to carry out telephone and face to face interviews and have circulated questionnaires.
61. HMRC explained that they are reviewing existing content on GOV.UK about the Scottish rate of income tax and with a view to identifying, developing and publishing further guidance and information when required.
62. HMRC explained that this has to be coordinated with the Scottish Government announcing what the rates/bands will be and expect more information will be available following the announcement planned for 14 December 2016.
63. Once solutions are understood and agreed, communications will become faster paced and targeted. HMRC will provide updates through existing communication channels.
64. One attendee asked that HMRC include an update on the Scottish rate of Income tax and Relief at source in the Newsletter.

Action point 9 – HMRC to include an update in the next Newsletter. Action closed – Update included in Pension Schemes Newsletter 82 published 4 November 2016

65. Attendees asked HMRC for early thoughts on devolution in Wales. HMRC explained that implications for other devolved nations continue to be considered but it is too early to provide information on this because the policy on devolution is being developed.

Agenda Item 4 Any other business (AOB)

66. One forum member asked about cases where a member has a scheme specific tax free cash entitlement but does not have protection when they take benefits so the calculation of the additional lump sum allowance (ALSA) uses the standard lifetime allowance. The member subsequently registers for protection which is backdated to 6 April 2016 at which point the ALSA uses FP2016 or IP2016 lifetime allowance resulting in a lower tax free cash entitlement. Would the excess paid previously be an unauthorised payment?

67. HMRC confirmed that the excess payment would be unauthorised in this situation. HMRC explained that most people benefit from the changes and HMRC have not seen a specific case where this has happened.
68. Attendees explained that this could happen where schemes make authorised payments under rules that were right at the time but retrospectively something changes and the same payment will then be unauthorised and incur tax charges. Attendees used the example of banking schemes and their members being affected in this way.
69. HMRC explained that this is only a problem with FP2016, IP2016 and IP2014. It would not be proportionate to amend the legislation in these cases.

Attendees expressed concern that unauthorised payment charges apply to both members and scheme administrators and asked how HMRC would deal with these cases if the scheme administrator can prove they acted on what was correct information at the time they made the payment. HMRC explained that decisions would be taken on a case by case basis, based on the facts of each case.

70. HMRC and forum members agreed that the message to individuals is that they should get their protection sorted sooner rather than later.
71. One attendee asked what the position was with fixing an issue with benefit crystallisation event 5D or dependants in receipt of an annuity after the death of the member and how they pay the lifetime allowance tax charge. In these cases rather than receive a lump sum (from which a lifetime allowance tax charge can be paid) the dependant receives an annuity so there is no lump sum available from which to pay the lifetime allowance tax charge.
72. HMRC is aware of this situation and asked the attendee to resubmit their request, setting out full details and HMRC will review.
73. Another attendee asked about transfers from a registered pension scheme in cases where the receiving scheme is not a registered pension scheme. The attendee explained complications caused by the recent Pensions Ombudsman's decision and asked if HMRC will operate a blanket amnesty where scheme administrators have acted in good faith. HMRC explained that they will make decisions on a case by case basis and it will depend on what due diligence the scheme administrator took before making the transfer.
74. One attendee asked about response times to requests from transferring pension scheme administrators about the registration status of the receiving scheme in particular when they have written in several times and still not had a response. The attendee asked if scheme administrators should take no response as an indicator that the scheme is not a registered pension scheme. HMRC explained that scheme administrators shouldn't take length of response time to mean that the receiving scheme is not registered. HMRC confirmed that they will always respond but response time in these cases can differ depending on whether HMRC needs to write out for more information.

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75. Another attendee asked if they could archive everything to do with secondary annuities. HMRC confirmed that following the government's announcement, the secondary annuities policy was not being taken forward at this time.
76. One attendee explained that there have been instances where they had written to HMRC for guidance on technical questions and about the pension tax rules that aren't covered in published guidance. The attendee set out the question and referred to parts of published PTM guidance but explained that their question (about legislative nuances) was not covered in published material. However the reply they received from HMRC just referred them back to the PTM guidance that they have already checked.
77. HMRC explained that complex queries received should reach the appropriate team to respond. HMRC agreed to look into this and asked forum members to send specific examples (with reference numbers) where this has happened so they can address this with the service teams. Attendees should send these to pensions.businessdelivery@hmrc.gsi.gov.uk.
78. HMRC asked forum members to note clearly at the start of these queries that the subject is complex. This will help to ensure these queries reach the appropriate team.

Action point 10 – HMRC to look at how these queries are being dealt with and make sure they are being referred correctly.

79. One forum member thanked HMRC for their work with the pensions industry and on the secondary annuities policy.