Pension Schemes Newsletter 42

11 November 2010

The new Pension Industry Stakeholder Forum

On 23 September 2010 the new Pension Industry Stakeholder Forum met for the first time in 100 Parliament Street, London.

A new HMRC led group

The new Pensions Industry Stakeholder Forum has been set up to help HM Revenue & Customs (HMRC) better manage its relationship with stakeholders and representative bodies. There has always been active engagement between HMRC and its stakeholders but current channels create significant levels of activity that cross over several groups. They can produce duplication of content and discussion of similar issues that need to be better managed. Moreover, some four years have passed since 'A Day' and many of the transitional arrangements to help embed these fundamental changes have ended or are now coming to an end. In particular, the extension of the normal time limit for COP 10 applications has now come to an end and applications now adhere to the general four Finance Act limit.

The forum will focus on operational (rather than policy) issues and, going forward, will be the main route of engagement between HMRC and representative bodies. Sub-groups could be set up if appropriate to take forward particular issues.

The aim of the new group is to:

- where possible agree a shared interpretation of those provisions in Part 4 Finance Act 2004 pensions tax legislation (and subsequent amendments) where genuine interpretive ambiguity, doubt or complexity exists

- monitor whether the administration of the pensions tax legislation by HMRC is as effective and efficient as possible and, where problems or failings are identified, to formulate proposals for remedial change having regard to cost and available resource

- monitor whether pensions industry practice and HMRC administrative practice is conformant with the pensions tax legislation and where problems or failings are identified to formulate proposals for remedial change having regard to cost and available resource

- provide a safe environment in which bodies representing the pensions industry can voice any concerns they have about possible abuse of the pensions tax legislation

- monitor whether the pensions tax legislation is achieving its intended policy purposes and if not formulate evidence-based proposals for change

Continuing engagement with representative bodies through attendance at their meetings will remain an important element of the relationship. However, HMRC will typically send only one representative to each meeting and would expect attendance to be agenda led rather than on a routine basis.

The new forum also replaces the (HMRC led) Customer Forum which will come to an end.

Its composition

The new group will comprise of:

HMRC's pensions business senior management (business head and service delivery, compliance, technical and policy team leaders).

Pensions industry representatives – one from:

Association of British Insurers (ABI)
Association of Independent Financial Advisors (AIFA)
Confederation of British Industry (CBI)
National Association of Pension Funds (NAPF)
Association of Pensions Lawyers (APL)
Chartered Institute of Taxation (CIOT)
Association of Member-directed Pension Schemes (AMPS)
Society of Pension Consultants (SPC)
Association of Consulting Actuaries (ACA)
Association of Chartered Certified Accountants (ACCA)
Institute of Directors (IOD)
Institute of Chartered Accountants for England & Wales (ICAEW)
Low Incomes Tax Reform Group (LITRG)
Institute of Chartered Accountants Scotland (ICAS)
Institute of Payroll Professionals (IPP)
Investment & Life Assurance Group (ILAG)
Association of Taxation Technicians (ATT)
Pensions Research Accountants Group (PRAG)

Its administration:

Group meetings will be held every six months in 100 Parliament Street and will be chaired by HMRC's pensions business head. Working groups may from time to time be convened to consider and take forward particular issues, reporting progress back to the main group.

HMRC will provide the secretariat to the group. The secretariat will issue notice of meetings one month in advance of meeting dates, manage agendas, produce minutes and co-ordinate circulation of supporting papers. Advance warning of issues/papers to be considered by the group will need to be forwarded to the secretariat at least two weeks in advance of meetings to ensure that the right people are at the meeting. Notices will explain the issue being raised and any solution proposed.

Meeting on 23 September 2010

The first meeting of the Forum discussed:

- its role and operations
- possible changes to Information requirements
- HMRC plans to improve customer guidance
- operational review of RAS (Relief at Source) arrangements
- practical issues around the operation of trivial commutation provisions

Any queries on these issues should be channelled via your representative body.

Code of Practice 10 – reversion to normal time limits for enquiries

If you are uncertain about HMRC interpretation of the law, or the application of the law to a particular transaction, Code of Practice 10 (COP10) says that HMRC will answer questions about the application of legislation in the last four Finance Acts. You need to provide the information listed in Appendix 1 of the Code of Practice.

Given that the bulk of pensions tax legislation was introduced in Finance Act 2004, and came into force at 'A Day' in 2006, HMRC announced in Newsletter 34 published in 2008, that they would extend the deadline for COP10 enquires on that and subsequent legislation up until the Finance Bill 2010 received Royal Assent. That extension has now expired.

The normal Code of Practice 10 deadline of the last four Finance Acts now applies to enquiries in relation to pensions tax legislation.

Restriction of pensions tax relief

The government announced on 14 October 2010 that the annual allowance for tax relieved pension savings will be reduced from £255,000 to £50,000 from 6 April 2011. It also announced that the lifetime allowance will be reduced from £1,800,000 to £1,500,000 but is consulting on whether this should be from April 2011 or 2012.

To enable interested parties as much time as possible to comment on the draft legislation and to prepare for the new regime, HMRC have published draft legislation covering the reduced annual allowance.

HMRC have also published draft guidance aimed specifically at individuals, but which should also be useful to the pensions industry in understanding the changes.

Employer-financed retirement benefits schemes (EFRBS) and the annual allowance

In light of the announcement on the reduction of the annual allowance and the government's change of view on EFRBS, HMRC will look more closely at cases, where contributions stop being paid to registered pension schemes and are paid into an EFRBS instead, when considering whether or not anti-avoidance provisions relating to the annual allowance apply. The special annual allowance guidance will be updated as soon as possible to reflect this.

Secondary legislation

The Registered Pension Schemes (Modification of the Rules of Existing Schemes) Regulations

The transitional period introduced in The Registered Pension Schemes (Modification of the Rules of Existing Schemes) Regulations of 2006 and 2009 that:

- allows schemes to continue to apply the pre April 2006 limits to benefits and contributions without a change to the scheme rule (the 2006 regulations)
- overrides pension scheme rules requiring HMRC approval for any changes (the 2009 regulations)

will end on 5 April 2011. Any registered pension scheme which relies on this transitional period to apply the pre April 2006 limits, or because their scheme rules currently require HMRC approval for any changes, will need to ensure they have amended their scheme rules accordingly by 5 April 2011.

The Taxation of Pension Schemes (Transitional Provisions) (Amendment) Order

HMRC have published a draft Treasury Order relating to changes to the rules affecting the existing transitional rules for tax treatment of protected pension lump sums.

Changing our guidance

Over the next year PSS is working to improve its guidance to customers. PSS want the guidance to be focused on the needs of all its customers. At the moment the guidance is aimed mainly at pension professionals. PSS want to improve the guidance, particularly for individuals and scheme administrators, to make it clearer and easier to navigate.

What will be changing?

PSS will be restructuring its web pages so that it will easier for you to find the information that you need. At the same time PSS will be archiving out of date guidance. But don't worry, when this is done PSS will tell you how you can see copies of the old guidance using the National Archives website.

PSS will be keeping the Registered Pension Schemes Manual (RPSM). Currently this manual is split into four sections each aimed at a different type of customer. PSS will merge these four sections, to remove repetition and to bring together the full story on each topic in one place, to save you searching each of the four sections to check that you have the full story.

Your help needed

The aim is to give guidance that is focused on the needs of all customers. PSS can only do this with your help. PSS need your opinions and feedback and are looking for volunteers to help. For example you could help by:

- giving feedback on what should be included in guidance articles
- reading through draft articles and suggesting improvements
- giving feedback on suggested models for restructuring our web pages
- making suggestions as to appropriate search terms
- acting as a sounding board on particular subjects

PSS need volunteers from all parts of its customer base; members of pension schemes, financial advisers, third party administrators and practitioners, employers, accountants and pension technicians.

If you would like to volunteer or have any further questions please contact Judy Goodall.

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