Newsletter

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1. Filing notice for the Registered Pension Scheme Return, Event Report and Tax Returns for trustees of registered pension schemes

Have you filed your returns yet?

The deadline for filing the Registered Pension Scheme Return (PSR) and Event Reports (ER) for the tax year 2010/11 is 31 January 2012.

These returns and reports must be sent to Pension Schemes Services using Pension Schemes Online.

If you have not signed up for Pension Schemes Online you will need to register by 13 January 2012 so you can submit your Registered Pension Scheme return or Event Report by 31 January. As a security measure HM Revenue & Customs (HMRC) need to send you a scheme administrator ID to enable you to register and submit your return online. This is dispatched within five working days by first class post.

You can register at Online Services.

Do you send us Tax Returns for Trustees of Registered Pension Schemes (SA970)?

If you submit tax returns for trustees of registered pension schemes (SA970), please remember that the self assessment penalty regime has changed this year. If your return is sent to HMRC after 31 January 2012 you will receive a penalty. Further details can be found in Newsletter 46 published on 8 April 2011.

You will not be able to file this return online. A copy of the paper form can be found on the Pension Schemes website.

2. Contracted out pension schemes

In order to ensure the security of our customer's contracting out records, HMRC Pension Schemes Services have reviewed the position on accepting information about changes of administrator (the person responsible for the day to day running of the scheme) for contracted out pension schemes.

To make changes to the contracting out records, HMRC will only accept written notification of the change from:

- the scheme's principal employer in the form of a letter of authority from them on company headed paper or;
- the trustee of the pension scheme by sending a copy of the documentation appointing the new administrator.

We will no longer accept change of details from former or new administrators.

This does not affect the way you can update the registered pension scheme records using the online service.

3. Non-registered schemes and Part 7A ITEPA 2003

Finance Act 2011 introduced new tax rules on **employment income provided through third-parties**. These new rules are in **Part 7A** of the Income Tax (Earnings and Pensions) Act 2003 (**ITEPA 2003**). They are sometimes referred to as the rules on "Disguised Remuneration". Part 7A can apply to a wide range of arrangements - including retirement benefit schemes that are not registered, i.e. **EFRBS** (employer-financed retirement benefit schemes).

Part 7A has an exception, so it does not apply charges to registered pension schemes whose tax and relief rules lie elsewhere. However, mention is made in this newsletter because the Part 7A changes in EFRBS rules can still be of interest to readers, for example where employers provide EFRBS alongside registered pension schemes (such as to top-up benefits for some individuals).

Another situation where EFRBS issues arise alongside registered schemes is if new schemes are set up before being registered or exceptionally are deregistered. Such periods of non-registration come under the EFRBS rules (as now updated by Part 7A).

Guidance on the new Part 7A rules has been placed in a new chapter of the Employment Income Manual (EIM) starting at EIM45000.
http://www.hmrc.gov.uk/manuals/eimanual/EIM45000.htm

The anticipated update to EIM (expected in the second half of December) will include guidance on EFRBS updated for new Part 7A. The EIM chapter on EFRBS starts at EIM15000 (http://www.hmrc.gov.uk/manuals/eimanual/EIM15000.htm)

This EIM update also includes changes for a new set of regulations providing a further exception to Part 7A - this time in connection with certain pension funds that have benefited from UK tax relief (including past unauthorised payments from registered pension schemes).

These are the **Employment Income Provided Through Third Parties (Excluded Relevant Steps) Regulations 2011 (No. 2696)**. The new regulations will prevent amounts from counting as employment income where the sums or assets in question (that are the subject of a relevant step - as defined in Part 7A) arise or derive from:

- a **UK tax-relieved fund** of a **relevant non-UK scheme**,
- a **relevant transfer fund** created by a transfer from a registered pension scheme, or
- an **unauthorised payment** made by a registered pension scheme

The Regulations were laid 10 November 2011 and came into force on 6 December, but they apply retrospectively to relevant steps taken on or after 9 December 2010 to which the legislation on employment income provided through third-parties would otherwise have applied.

The Regulations can be found at
http://www.legislation.gov.uk/uksi/2011/2696/contents/made

Guidance on these regulations will be published in the coming December update to the EIM at pages EIM45655 and EIM45660

4. Employer asset-backed pension contributions

Following the announcement at Budget 2011 and consultation over the summer, legislation was published on 29 November 2011, alongside a summary of responses, and took effect from the same date.

From 29 November 2011, upfront relief is only given if the arrangement is recognised as a financial liability in the employer (or special purpose vehicle) accounts such that the structured finance legislation applies. Otherwise an employer will only receive relief as each payment is made to the pension scheme under such arrangement. This will ensure that the amount of tax relief given to any employer using asset-backed contribution arrangements to fund the pension scheme accurately reflects the amount of the payments paid to the pension scheme.

5. Small pension pots

As announced in response to the call for evidence paper on early access to pension savings on 19 April 2011, the Government has been exploring ways of extending the rules on commutation of small occupational pension pots to personal pensions. Draft regulations published on 6 December 2011 will allow individuals aged 60 or over with small personal pension pots of £2,000 or less to commute a maximum of two such pots in a lifetime. These regulations will come into force on 6 April 2012. Further information can be found in the draft guidance and the Tax Information and Impact Note (TIIN).

If you have any comments on these draft regulations, please send them to pensions.policy@hmrc.gsi.gov.uk by 10 February 2012.

6. Overseas Pension Schemes - Transfers to QROPS

Draft regulations published on 6 December 2011, will provide for changes to the regime that allows transfers of pension savings from UK registered pension schemes to QROPS to be made free of UK tax. These changes will revise the conditions that a scheme has to meet to be a QROPS and strengthen the information and reporting requirements from 6 April 2012. Further information has been published in the policy statement, TIIN, draft guidance and draft forms and completion notes.

If you have any comments on these draft regulations, please send them to pensions.policy@hmrc.gsi.gov.uk by 10 February 2012.

7. Drawdown pension tables

The maximum amount that may be paid as a drawdown pension for individuals over age 22 is calculated by reference to the 15 year UK gilt yield. The basis amount for these individuals is then worked out using Table 1 or 2 of the drawdown pension tables. Table 1 is for men and Table 2 is for women.

The 15 year UK gilt index yield was less than 3% for November 2011, and Tables 1 & 2 only provide a basis amount for gilt rates down to 2%. HMRC has been asked what scheme administrators would have to do if the 15 year UK gilt yield were to drop below 2% when they needed to calculate the maximum amount of drawdown pension that might be paid to someone.

HMRC can confirm that 2% should be regarded as the minimum level to be used when calculating the maximum drawdown pension payable. Consequently, if the 15 year UK gilt index yield were to fall below 2%, the scheme administrator should calculate the basis amount using the gilt yield figure of 2%.

It is important to note that the tax rules never require the maximum income to actually be drawn in pension. The statutory calculations merely serve to determine whether a given level of drawdown pension is authorised for tax purposes. For advice purposes scheme administrators are free to provide more modest calculations suggesting recommended maximum withdrawals, to avoid the possibility of prematurely exhausting the drawdown pension fund, and ensuring the resulting payments do not exceed the statutory limits.

8. Amendments to the Registered Pension Schemes Manual

HMRC is currently working on the next batch of the Registered Pension Schemes Manual (RPSM) amendments, following the changes made by Finance Act 2011. These amendments are due to be published in January 2012.

Work on producing guidance for the recent legislative changes has delayed the restructuring and re-writing RPSM. To let HMRC concentrate resources on restructuring and re-writing RPSM it will only be updated to:

- reflect changes in processes or interpretation of the legislation
- correct any technical inaccuracies, or
- include material covering new processes or legal changes.

HMRC will correct typographical, formatting or hyperlink errors as part of the next amendments and will only make cosmetic changes as we re-write RPSM.