

STAKEHOLDER PENSIONS:

Draft Relief at Source
Amending Regulations



Personal Pensions Relief At Source Amending Regulations

1. One of the proposals contained in the joint IR/DSS consultation brief: Stakeholder Pensions - The Tax Regime, issued on 16th September was that all contributions to a stakeholder or personal pension would be made net of tax with the provider reclaiming the tax from the Board. These regulations amend existing regulations to achieve this.
2. The regulations will apply to all contributions to a stakeholder or personal pension from 6th April 2001 regardless of whether the contributor is an employee, self employed or not employed.
3. This note contains:
 - a copy of the draft regulations;
 - a short commentary on those regulations;
 - a draft outline of the information requirements needed under these regulations. These will not be finalised until the Autumn but they need to be born in mind when looking at the regulations. Please note that a specific question is asked about the timing of provision of annual statistical information to the Inland Revenue in para .

Copies of these can be accessed on the Inland Revenue site at www.inlandrevenue.gov.uk or by e-mailing stakeholder@ir.gsi.gov.uk and including "subscribe regulations" in the subject. Printed copies can be obtained by telephoning 020 7438 7514. Other draft regulations will be published for consultation over the coming weeks.

3. Comments on the draft regulations and information requirements are invited by Friday 12 May 2000 and should be sent to:

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Room 133, New Wing
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LONDON WC2R 1LB

Or e-mailed to stakeholder@ir.gsi.gov.uk

Summary of regulations

Regulations 1,2 and 3 set the scene. They provide that the regulations (to be referred to as the "Personal Pension Schemes (Relief At Source) (Amendment) Regulations 2000") shall come into effect on 6 April 2001. Regulation 3 adds several definitions being introduced by the new DC tax regime in Finance Bill 2000.

Regulation 4 widens the scope of the existing regulations, "Personal Pension Schemes (Relief At Source) Regulations 1988 - SI 1988/1013. All contributing to a stakeholder, personal pension, or an occupational money purchase scheme that opts for the new tax regime will pay their contributions net of tax.

Regulation 5 removes the need for the member to provide the scheme administrator with details in writing.

Regulations 6 and 7 set out that an application to make pension contributions must contain:

- a post code and full postal address;
- a NINO if the member has one (all but minors under 16 are expected to have a NINO);
- a declaration of the member's status (employed, self employed, etc.) at the time of joining the scheme. This is needed so that the Government can monitor the outcome of the stakeholder;
- evidence of earnings needed to support contributions above £3,600 (such as P60 and copy of tax return) if this is appropriate.

Regulation 8 and 9 change the time at which the information is to be provided. Most information is only required when the pension is started. Evidence of earnings, however, needs to be provided before contributions are to exceed in a year of assessment £3,600 or the permitted maximum based on an existing basis year. Instances where evidence needs to be produced are in a year where the member wishes to contribute more than the earnings threshold and:

- the year is more than five years past a “basis year”,
- a basis year has not been set; or
- where the net relevant earnings in the year exceed those in the basis year and the member wishes to contribute more than that permitted by the evidence for the basis year.

Basis year is a concept from the new Finance Bill legislation and refers to a year for which evidence of earnings is provided.

Regulation 10 contains a consequential change from the repeal of s642 (carry forward of unused relief) in Finance Bill 2000. It also widens the scope by removing a reference to Schedule E to reflect the fact that the regulations will now apply to all contributors and not just those that are employed.

Regulation 11 requires a declaration regarding membership of an occupational pension scheme to be made:

- when the pension is opened;
- when a year is specified as a basis year.

Regulation 12 adds the stipulation that the member shall tell the scheme administrator if an event occurs that causes the member to be ineligible, or will cause him to become ineligible, to make contributions. So in future the member must tell the administrator if he ceased or will cease to be eligible to make contributions because he has:

joined an occupational pension scheme;
become non resident;
stopped being a Crown servant;
stopped being the spouse of a Crown servant;
ceased to have “net relevant earnings” (i.e. earnings not covered by an occupational pension scheme)

Regulation 13 sets a date for notifications under regulation 7 of the principal regulations when a persons circumstances change (for example, they join an occupational scheme or become non-resident). It also sets out how declarations and certificates are to be made if they are not made in writing. The scheme administrator shall note down non written particulars, certificates and declarations and send a copy to the member (along the lines of the arrangements in place for telephone applications for ISAs).

Regulation 14 stops claims being made for contributions over £3,600 when the year of assessment is not one of the next five after a basis year or a reference year.

Regulation 15 is a consequential change reflecting the new simplified carry back arrangements.

DRAFT INFORMATION REQUIREMENTS

4. Detailed Inland Revenue guidance on how scheme administrators will reclaim tax on pension contributions will be issued by the autumn. However, providers will need to consider the information requirements alongside the draft relief at source regulations. The following paragraphs set out the information that will be required. This is very much the same as the existing requirements when submitting claims in respect of employees paying personal pension contributions.
5. The requirements may change if it is decided to proceed with a system for providing partial concurrency. If this occurred we would publish revised information requirements.
6. The information requested will be used for statistical monitoring and compliance purposes. Interim claims will request aggregate statistical information so that we can monitor the take-up of stakeholder pensions. The detailed records provided at the end of year in respect of each member will be used to monitor contributions up to the earnings threshold and to ensure that evidence of earnings is held for those contributing above the earnings threshold.

Statistical returns

7. The in-year statistical return required when submitting claims, and the annual statistical return, will involve provision of the following information to the Inland Revenue:

Name of scheme administrator:

Reference No. PP/SHP:

Period of claim: From/To

		Personal Pensions	Stakeholder Pensions
A	Arrangements with DSS minimum contributions (SERPs/S2P rebates) only:	Number* Amount** in respect of DSS contribution	Number* Amount** in respect of DSS contribution

B	Arrangements with DSS and other contributions: (excluding employer sponsored)	Number* Amount** in respect of contributions from: DSS Individual Employer	Number* Amount** in respect of contributions from: DSS Individual Employer
C	Employer sponsored arrangements - contracted out	Number* Amount** in respect of contributions from: DSS Individual Employer	Number* Amount** in respect of contributions from: DSS Individual Employer
D	Employer sponsored arrangements - Not contracted out	Number* Amount** in respect of contributions from: Individual Employer	Number* Amount** in respect of contributions from: Individual Employer
E	Other types of arrangements	Number* Amount** in respect of contributions from: Individual Employer	Number* Amount** in respect of contributions from: Individual Employer
F	Free standing AVCs	Number* Amount** of individual's contribution:	

*Where a member has more than one arrangement, of the same type with the same scheme, the contributions to these arrangements should be aggregated into the various appropriate categories (DSS, individual and employer) and returned as if they were a single arrangement. Arrangements that have not received a contribution in a year should be ignored. This mirrors the current requirement for PPs.

**The amount should always be the cumulative amount from the beginning of the year in question. So returns in support of an interim claim will show the total contributions of each sort for the year to date.

End of year details about individuals

8. In addition to the aggregate statistical returns of information we will require the following details about each member to be submitted:

Standing Data

- Administrator reference number
- PSO approval number
- NICO Contracted Out Scheme Number
- Tax year
- Title
- Forenames
- Surname
- NINO
- Date of birth
- Full Address
- Post Code
- Status (determined when joining the scheme)

Contribution Information

- Employee contributions (rounded to the nearest £)
- Employer contributions (rounded up to the nearest £)
- DSS contributions (rounded up to the nearest £)
- Total amount to provide a lump sum on death (rounded up to the nearest £)
- Current basis year (if appropriate)
- Net relevant earnings for basis year
- Carry back indicator (if appropriate)
- Amount carried back (rounded up to the nearest pound)

Other Information

- Whether member of another scheme
- Transfer payment(s) received
- Total amount of transfer payment

9. We would also like to consider bringing forward the time for submission of the annual statistical return of information and the end of year details on individuals. The current deadline for this is 6th October and we would like to move this to 5th June. This earlier timetable has been adopted for ISAs and allows statistics based on actual data to be produced earlier. It also accelerates the timetable for checking contribution limits and any correcting actions needed by providers, which may be of greater relevance to providers under the new tax regime than it was in the past. We would be interested in hearing pension providers' views on the practicality of this suggestion.