

LEGISLATION

PENSION NEWS

PATHways

PENSION ADMINISTRATION TECHNICAL HELP

HIGHLIGHTING PENSIONS NEWS AND LEGISLATION THAT HAS PARTICULAR RELEVANCE TO WHAT WE DO IN PENSION ADMINISTRATION

HMRC: Pension schemes newsletter 74

HM Revenue & Customs (HMRC) has published [Pension Schemes Newsletter 74](#) which includes:

Lifetime allowance reduction

Sample wording for communicating with members to raise awareness of the reduction in the level of the standard lifetime allowance from 6 April 2016 plus further detail on the transitional protection (IP 2016, FP 2016) application process. In terms of overlap between the interim process and the new online self-service due to be available from July 2016 it is confirmed that:

- the temporary reference number provided to a member using the interim process will only be valid until 31 July 2016; and
- the scheme will not be able to use that temporary reference in any reporting to HMRC, so must wait until a permanent reference number is provided once the member has made a full online application.

Pension flexibility

As well as more statistics on the number of tax repayment claim forms processed and the amount of tax repaid in respect of pension flexibility payments up to the end of September 2015, further clarification is provided about reporting flexi-access and certain death benefit payments via Real Time Information (RTI). There is also a link to the full list of [RTI data items for 2016/17](#) supported by publication of draft regulations (see next topic for further detail).

Publication of the updated Pensions Tax Manual (PTM)

The [new version of PTM](#) is hosted on the gov.uk website and reflects the changes to tax legislation introduced by Finance Act 2015 although not (yet) those made by Finance (No. 2) Act 2015 (for example, the transitional provisions for pension input periods during 2015/16 as precursor to the tapered annual allowance from April 2016). Appendix 2 lists the main changes to the draft manual, which is still accessible on the hmrc.gov.uk domain but has not been updated. The inclusion of a search facility is a welcome addition although currently HMRC acknowledge there are some missing page references and broken links.

Autumn Statement 2015 and draft Finance Bill 2016

Further to our reporting in [PATHways issue 58](#) (and [issue 54](#) for the lifetime allowance reduction) HMRC has begun consulting on draft clauses for [Finance Bill 2016](#). From a pensions perspective, these include:

- provisions on the [reduction in the lifetime allowance and introduction of associated transitional protections](#);
- a change to the pension tax rules on [bridging pensions](#) to align with DWP legislation;
- an extension to scope of the [inheritance tax exemption to cover unused pension drawdown funds](#); and
- introducing exceptions on when a scheme administrator is required to test the value of a [dependant's scheme pension](#) against that of a deceased member.

Income Tax (Pay As You Earn) (Amendment) Regulations 2016

The RTI reporting discussed above is supported by publication of draft [Income Tax \(Pay As You Earn\) \(Amendment\) Regulations 2016](#) for consultation on changes to the PAYE regulations. Intended to come into force on 6 April 2016 in relation to payments made on or after that date, the changes are needed following the introduction of the defined contribution pension flexibilities from April 2015 (for which full RTI reporting becomes mandatory from April 2016) and the changes in the taxation of lump sum death benefits (effective April 2016) introduced in Finance (No. 2) Act 2015.

Scottish rate of income tax (SRIT)

Further to [PATHways issue 57](#) finance secretary John Swinney proposed setting SRIT at 10% in [unveiling his draft budget](#) in the Scottish Parliament on 16 December. This means the rate paid by Scottish taxpayers in 2016/17 will be the same as the UK rate. The revised Scottish tax codes ([letter 'S' prefix](#)) will still apply from April 2016.

Creating a secondary annuity market

HM Treasury has published a policy paper entitled [Mandatory Advice for Secondary Market in Annuities](#) tabling an amendment to the Bank of England and Financial Services Bill for mandatory advice for those with higher value annuities who wish to sell their annuity. The government also plans to consult on legislation that will set out details of how the advice requirement will operate, including the threshold criteria.

The government's response to its consultation (issued with the March 2015 Budget) on [Creating a secondary annuity market](#) has now been published including some insight on how it intends to remove existing pensions tax restrictions on individuals seeking to sell their right to future annuity income in order that the provisions for a secondary annuity market (due to be contained in Finance Bill 2017) can appear.

Department for Work and Pensions legislative aspects

The Department for Work and Pensions (DWP) recently sought views on reducing regulatory burdens and minor regulation changes under its [Better Workplace Pensions consultation](#) and is now analysing feedback. The DWP also launched a consultation on the [Occupational and Personal Pension Schemes and the Pension Protection Fund \(Miscellaneous Amendments\) Regulations 2016 and call for evidence on the valuation of pensions with a Guaranteed Annuity Rate](#) (GAR) which closes on 15 January 2016. The consultation seeks views on proposed changes to areas of DWP pensions legislation and also on how the government should simplify the valuation process for the purposes of the regulated advice requirement for transferring pensions which contain a GAR, where the value of the benefit (including GAR) is more than £30,000.

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