Scotland Bill Pension relief options - Overview

Timescale	Before tax year starts					During tax year				After tax year			
Activity	Set up new systems	Set Scottish Rate	Identify STs	Set tax codes	Set up records	Operate PAYE	Operate RAS	Status change	Change of code	RAS returns	Calculate liability	Issue Repayments	Revised tax code
Scot Gvt		■											
Employer	■			■	■	■			■				■
Taxpayer / Pension Scheme Member			■	■				■	■			■	■
Pension Provider	■		■		■		■	■		■			
HMRC	■		■	■	■	■		■	■	■	■	■	■
Option 1 (Net Pay)		✓	✓	✓	✓	✓			✓				
Option 1 (RAS)	✓	✓	✓		✓		✓	✓		✓			
Option 1A (RAS)		✓	✓				✓			✓	✓	✓	✓
Option 1B (RAS)	✓	✓	✓		✓		✓	✓		✓	✓	✓	✓
Option 2 (Net Pay)	✓	✓	✓	✓	✓	✓			✓				
Option 2 (RAS)		✓					✓			✓			

ARCHIVED

Expanded List of Options

Option	*Description*	*Relevant Schematics*				
Option 1	Relief at marginal rates with HMRC notifying ST status for RAS	1 Net 1	1 Net 2	1 RAS 1	1 RAS 2	
	Relief at marginal rates with member notifying ST status for RAS	1 Net 1	1 Net 2	1 RAS 3	1 RAS 4	
Option 1A	As option 1 for net pay with UK rates for RAS in-year and later corrective action	1 Net 1	1 Net 2	1A L	1A H	
Option 1B	As option 1 (HMRC notifying ST), but in-year changes for RAS dealt with as option 1A	1 Net 1	1 Net 2	1 RAS 1	1B 1L	1B 1H
	As option 1 (member notifying ST), but in-year changes for RAS dealt with as option 1A	1 Net 1	1 Net 2	1 RAS 3	1B 2L	1B 2H
Option 2	Relief at UK rates for everyone	2 RAS	2 Net 1	2 Net 2		

Notes:

Four options: 1, 1A, 1B and 2 were identified. But, as there are two ways to achieve options 1 (and therefore 1B), there are 6 options in total
The reason that more than one schematic is provided for each option is explained on the "Variants" sheet.

ARCHIVED

Scotland Bill Pension relief - description of options and variants

	Options	***Notes***
Option 1 (2 methods)	Scottish taxpayers receive tax relief on their contributions at Scottish income tax rates & UK taxpayers receive tax relief on their contributions at UK income tax rates	Except as provided for in Option 1A below, this is dependent on the provider knowing the status (UKT / ST) of each scheme member
Option 1A	Option 1 above is achieved by applying UK rates to everyone and then HMRC "coding out" or repaying the discrepancies in future years	There **might** be a legal obstacle here as the pension scheme treats the member as a UKT while HMRC treats them as a ST.
Option 1B (2 methods)	Option 1 above is applied, with the appropriate UK or S basic rate used for RAS on each contribution, but if the member's status changes in-year, no change is applied by the provider and the discrepancy is "coded out" or repaid as per Option 1B	Same issue applies here as in the above note, although on a smaller scale.
Option 2	All contributions to registered pension schemes get tax relief at UK rates of income tax - regardless of whether the member is a Scottish taxpayer or a UK taxpayer	

Some of the above options have to be further divided and shown on different schematics for the following reasons:

	RAS and net pay arrangements	
	No change in-year vs change of status in-year	
	Whether the Scottish basic rate is higher or lower than the UK basic rate	No schematic for same rates as this is simple.

The combination of the above parameters gives rise to the following variants, each of which is represented in a separate schematic.

	Variants	
1 RAS 1	Option 1 for RAS, with ST notification from HMRC, with no in-year change	
1 RAS 2	Option 1 for RAS, with ST notification from HMRC, with an in-year status change	
1 RAS 3	Option 1 for RAS, with ST notification from member, with no in-year change	
1 RAS 4	Option 1 for RAS, with ST notification from member, with an in-year status change	
1 Net 1	Option 1 for Net Pay with no in-year change	
1 Net 2	Option 1 for Net Pay with an in-year change status change	
1A L	Option 1A for RAS with Scottish basic rate **lower**. (Option 1 would apply in parallel for Net Pay)	As coding out is dealt with after the year is complete, no variant is needed for in-year change of status
1A H	Option 1A for RAS with Scottish basic rate **higher**. (Option 1 would apply in parallel for Net Pay)	As repayment is dealt with after the year is complete, no variant is needed for in-year change of status
1B 1L	Option 1B for RAS / ST notification from HMRC / in-year change / Scottish basic rate **lower**.	Option 1 applies in parallel for Net Pay and RAS / no change.
1B 2L	Option 1B for RAS / ST notification from member / in-year change / Scottish basic rate **lower**.	Option 1 applies in parallel for Net Pay and RAS / no change.
1B 1H	Option 1B for RAS / ST notification from HMRC / in-year change / Scottish basic rate **higher**.	Option 1 applies in parallel for Net Pay and RAS / no change.
1B 2H	Option 1B for RAS / ST notification from member / in-year change / Scottish basic rate **higher**.	Option 1 applies in parallel for Net Pay and RAS / no change.
2 RAS	Option 2 for RAS (irrespective of other parameters)	An in-year change of status would not make any difference in this option.
2 Net 1	Option 2 for Net Pay, with no in-year status change	The relative level of the two basic rates would make no difference in this option.
2 Net 2	Option 2 for Net Pay, with a status change in-year	

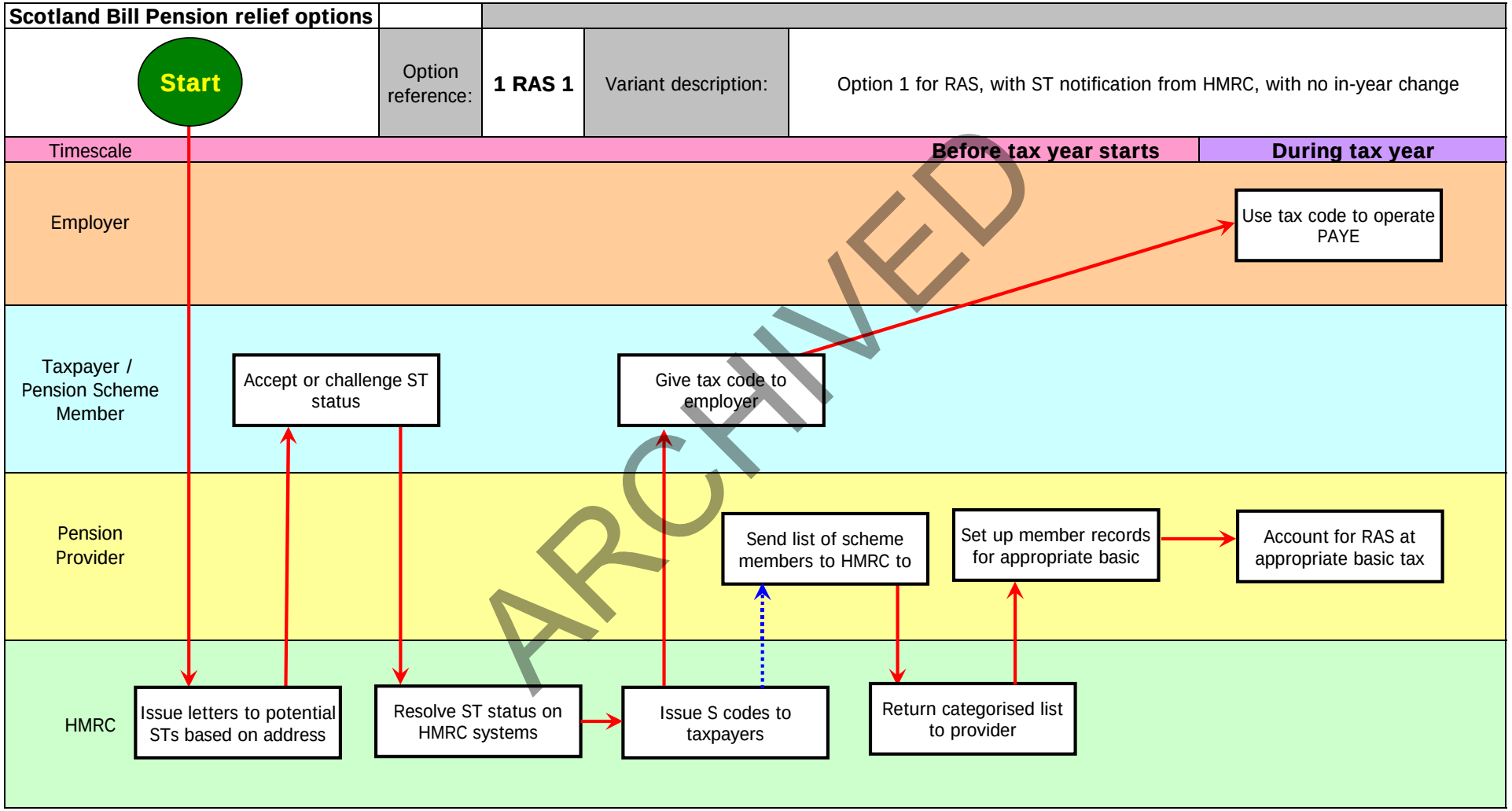
ARCHIVED

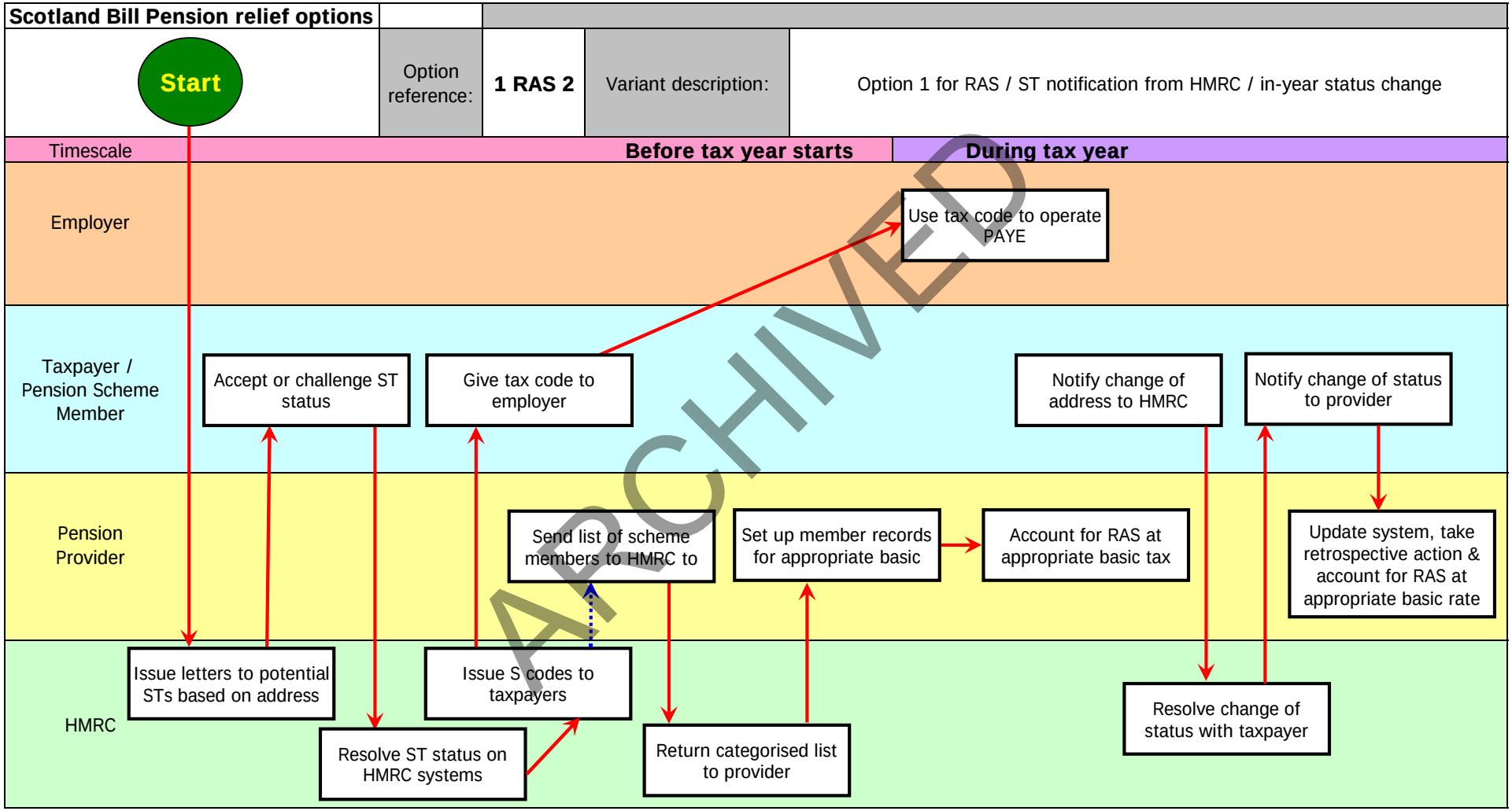
Scotland Bill Pension relief options

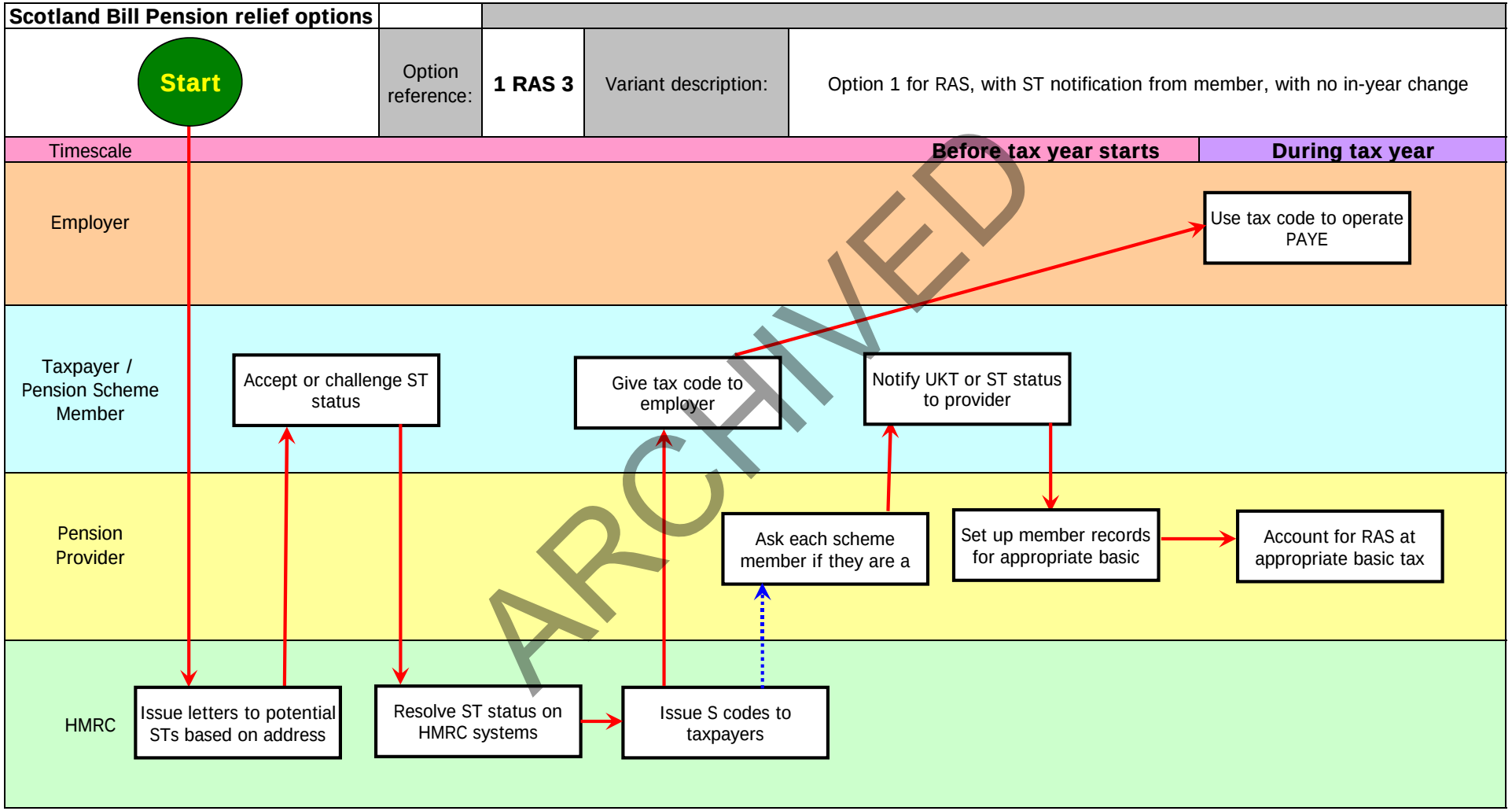
	General notes on schematics
1	ST = Scottish taxpayer and UKT = UK taxpayer (excluding STs)
2	A solid red arrow means that one action leads directly to the next action.
3	A dashed blue arrow means that the first action has to be completed before the second can begin (or there is some other form of link between the two activities).
4	Where an existing process continues, unaffected by a particular option / variant, this is not generally shown on the schematic.
5	The schematics cover Basic Rate relief only (although existing net pay options will also cater for higher and additional rates see issue 3 below). Higher / Additional rate relief for RAS will continue to be claimed through the SA return (although the amount of relief may vary according to the option).
6	A change of address in the latter part of the year is unlikely to lead to a change of status

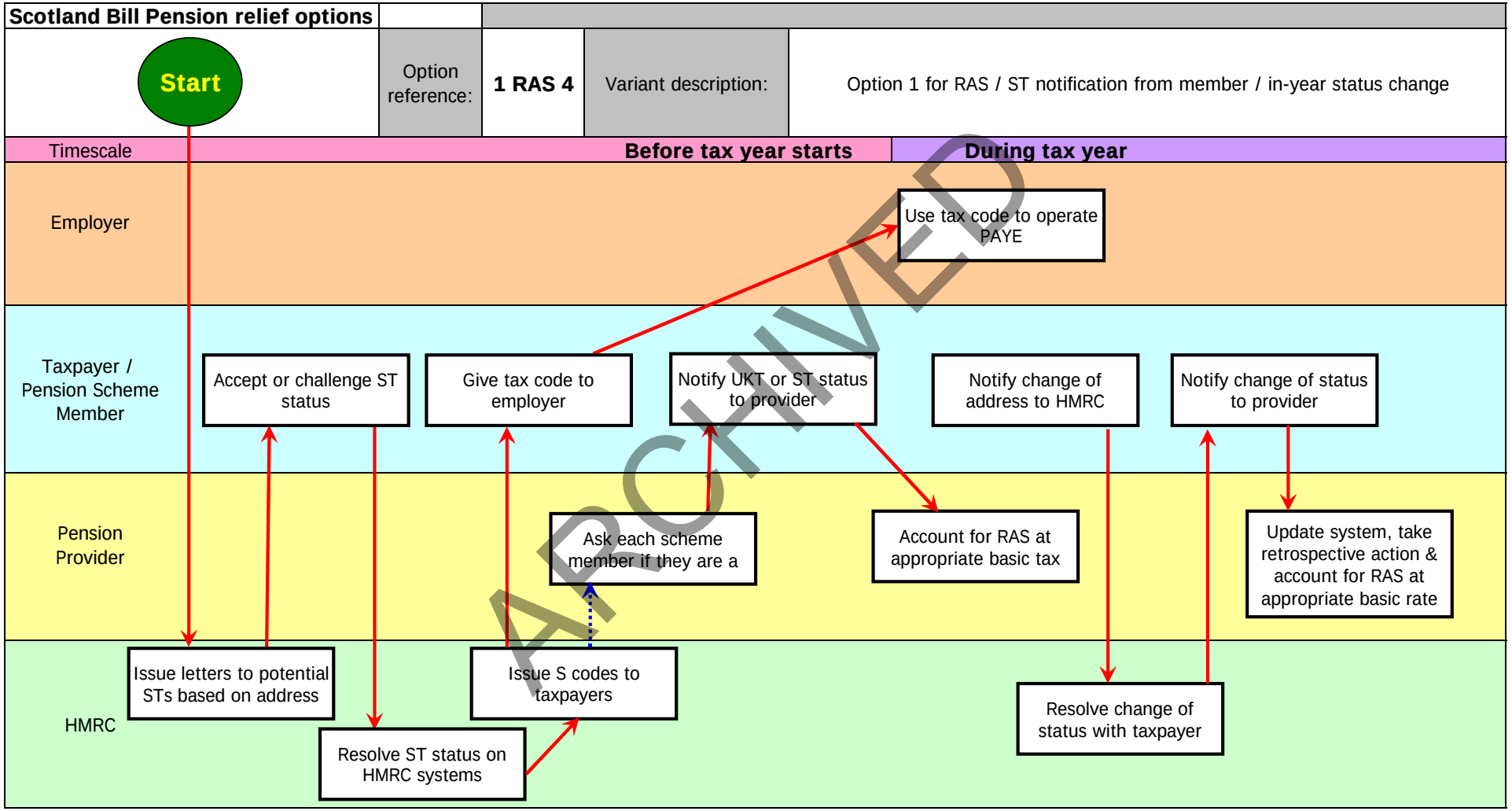
	Issues arising from schematics
1	Where an option needs the pension provider to know whether the scheme member is a ST or not, this information may come from the scheme member or from HMRC. There may be Data Security issues (legal and practical) for the HMRC option.
2	The schematics assume that the scheme member is in PAYE. If this is not the case, and the member notifies a change of status, HMRC may have to issue a letter, since no tax code will be sent out.
3	The existing net pay arrangements cater for higher rate / additional rate relief, as well as Basic Rate. This might have to change under option 2, meaning that potentially many more people would have to claim this relief through SA.
4	In year notification of a change of status must come from the individual member, even if the initial notification of status was by HMRC.
5	There might be a legal obstacle to Options 1A and 1B as, effectively, the pension scheme treats the member as a UKT while HMRC treats them as a ST.

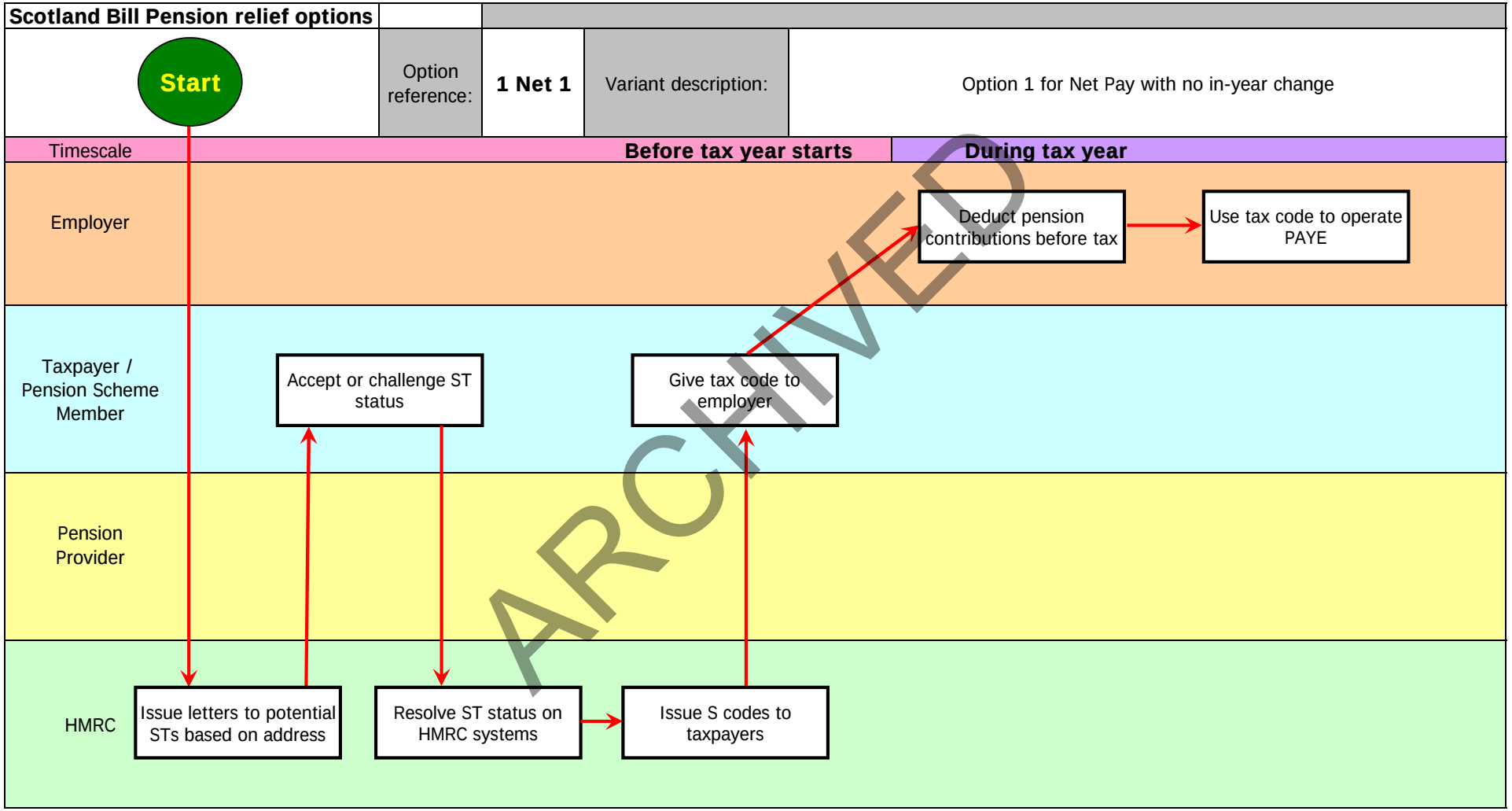
ARCHIVED

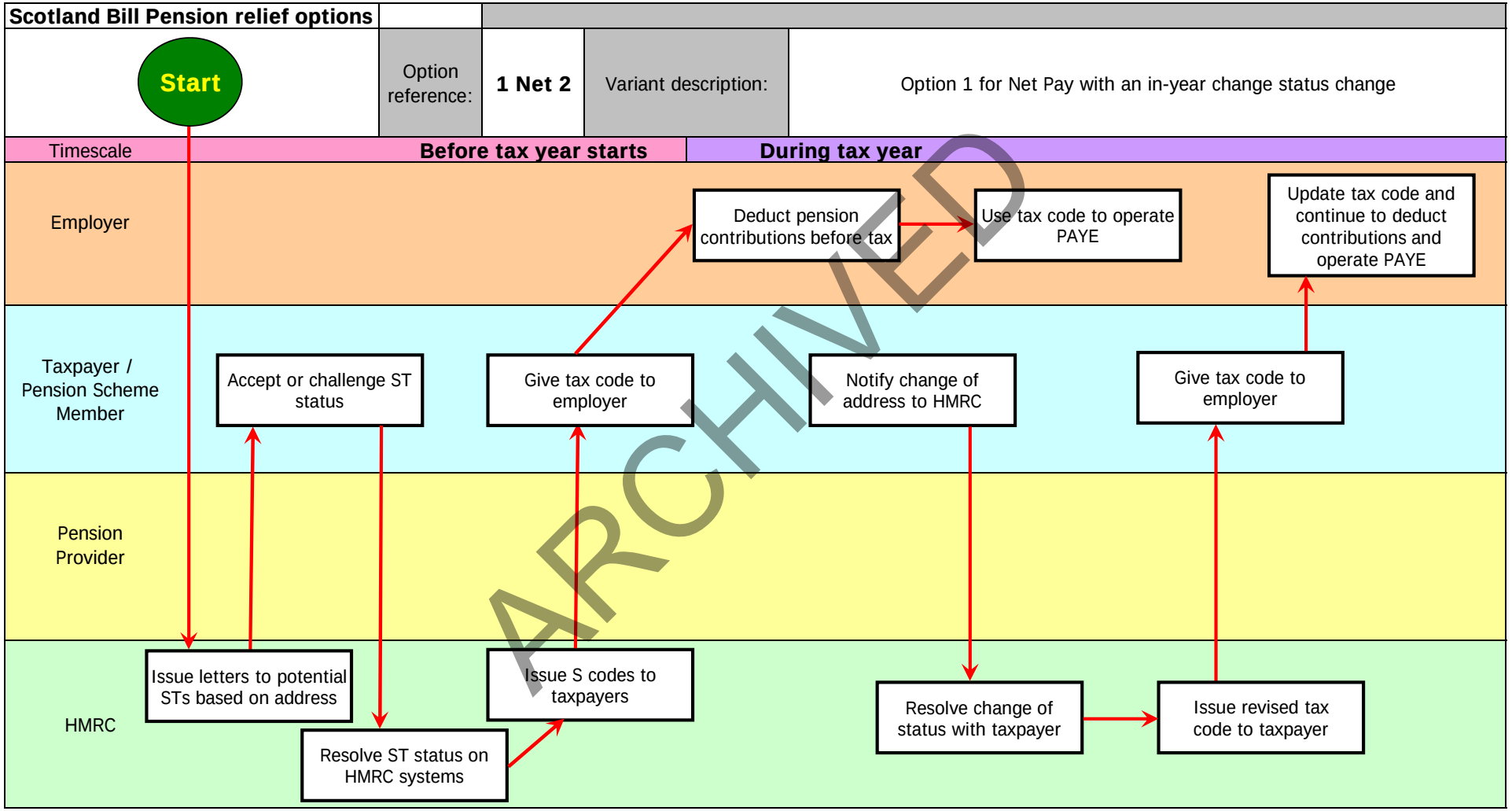

Scotland Bill Pension relief options
Start
Option reference:
1 RAS 1
Variant description:
Option 1 for RAS, with ST notification from HMRC, with no in-year change
Timescale
Before tax year starts
During tax year
Employer
Use tax code to operate PAYE
Taxpayer / Pension Scheme Member
Accept or challenge ST status
Give tax code to employer
Pension Provider
Send list of scheme members to HMRC to
Set up member records for appropriate basic
Account for RAS at appropriate basic tax
HMRC
Issue letters to potential STs based on address
Resolve ST status on HMRC systems
Issue S codes to taxpayers
Return categorised list to provider
ARCHIVED

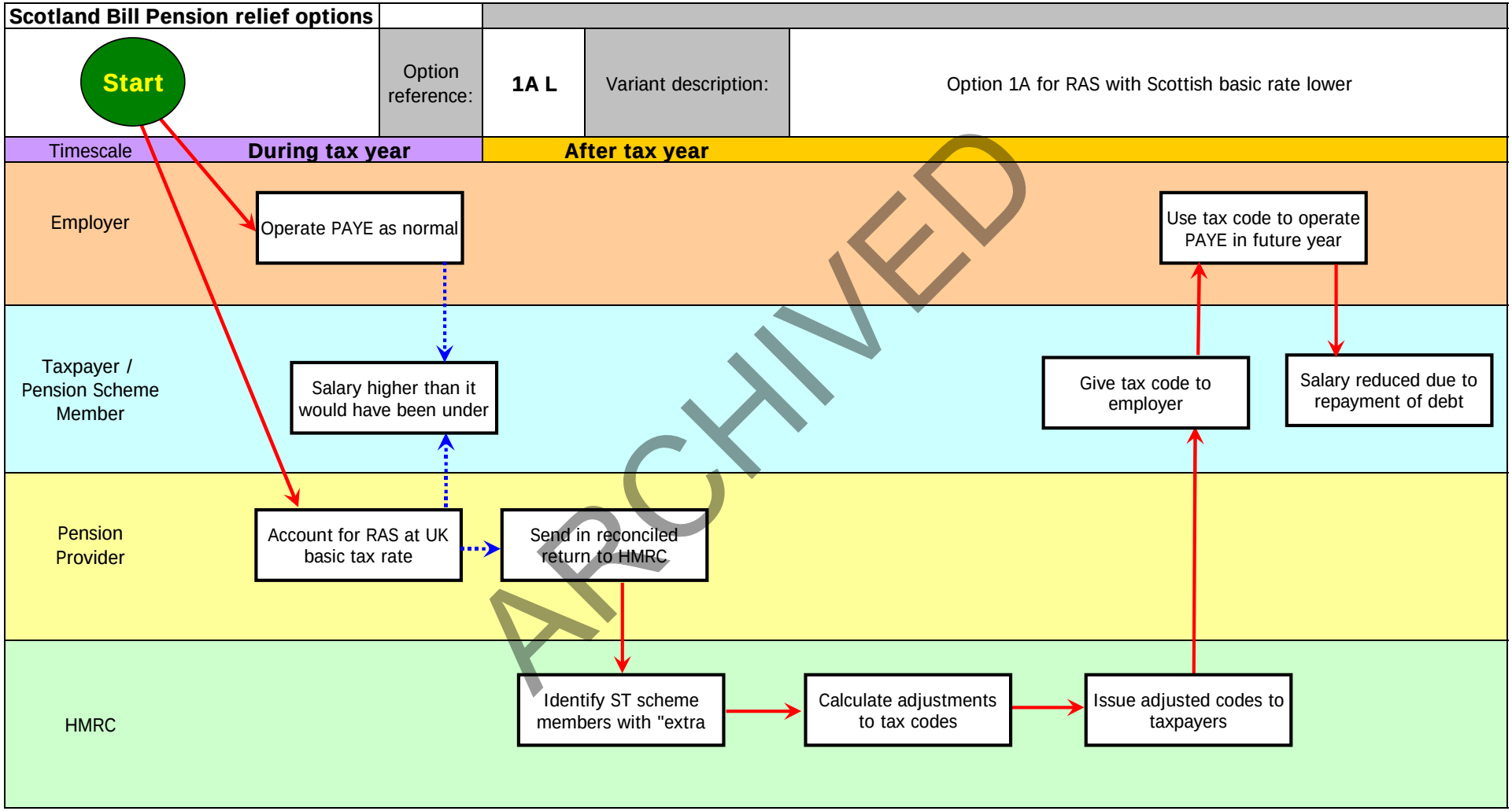

Scotland Bill Pension relief options
Start
Option reference:
1 RAS 2
Variant description:
Option 1 for RAS / ST notification from HMRC / in-year status change
Timescale
Before tax year starts
During tax year
Employer
Use tax code to operate PAYE
Taxpayer / Pension Scheme Member
Accept or challenge ST status
Give tax code to employer
Notify change of address to HMRC
Notify change of status to provider
Pension Provider
Send list of scheme members to HMRC to
Set up member records for appropriate basic
Account for RAS at appropriate basic tax
Update system, take retrospective action & account for RAS at appropriate basic rate
HMRC
Issue letters to potential STs based on address
Issue S codes to taxpayers
Resolve ST status on HMRC systems
Return categorised list to provider
Resolve change of status with taxpayer
ARCHIVED

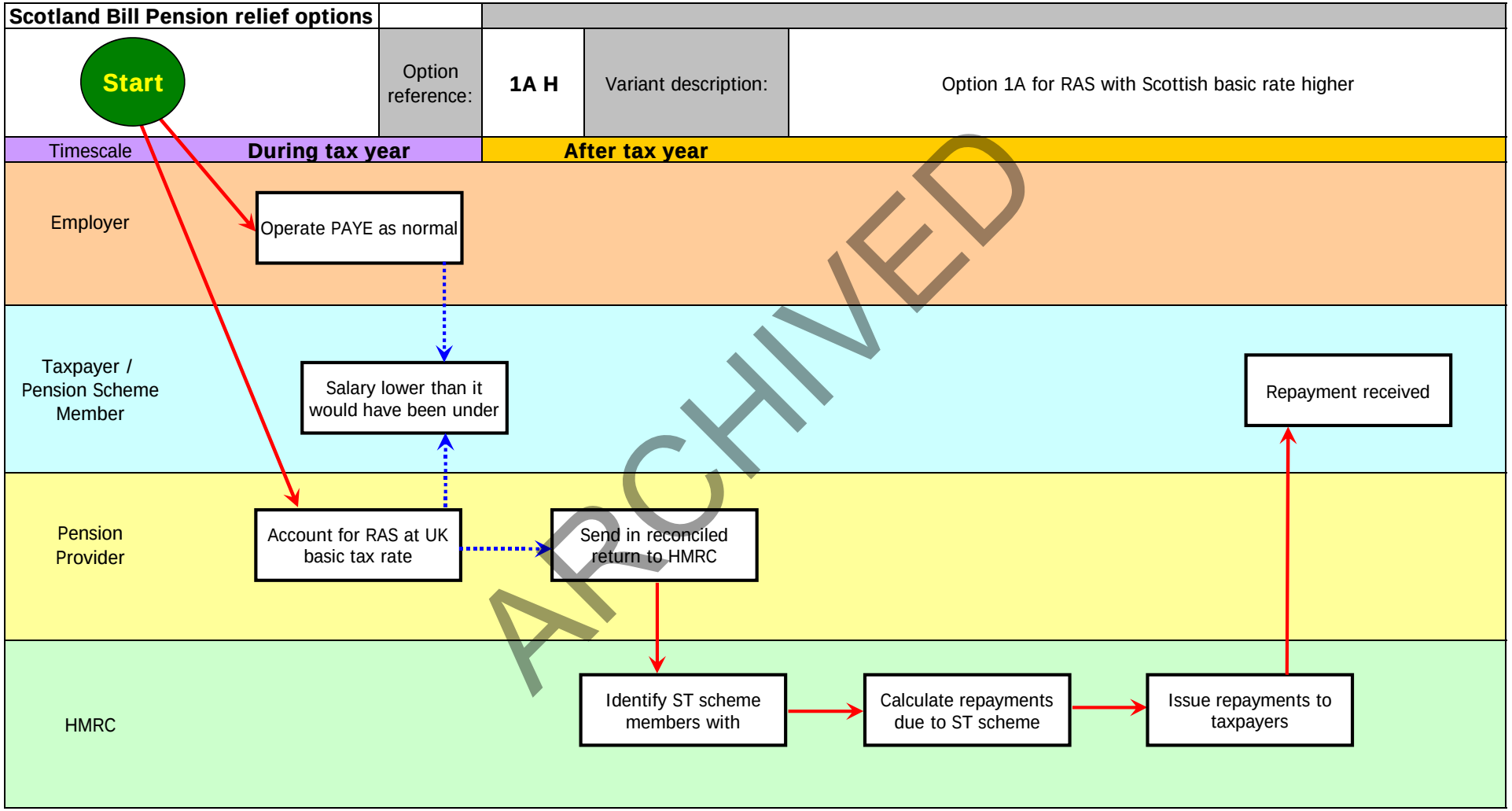

Scotland Bill Pension relief options
Start
Option reference:
1 RAS 3
Variant description:
Option 1 for RAS, with ST notification from member, with no in-year change
Timescale
Before tax year starts
During tax year
Employer
Use tax code to operate PAYE
Taxpayer / Pension Scheme Member
Accept or challenge ST status
Give tax code to employer
Notify UKT or ST status to provider
Pension Provider
Ask each scheme member if they are a
Set up member records for appropriate basic
Account for RAS at appropriate basic tax
HMRC
Issue letters to potential STs based on address
Resolve ST status on HMRC systems
Issue S codes to taxpayers
ARCHIVED

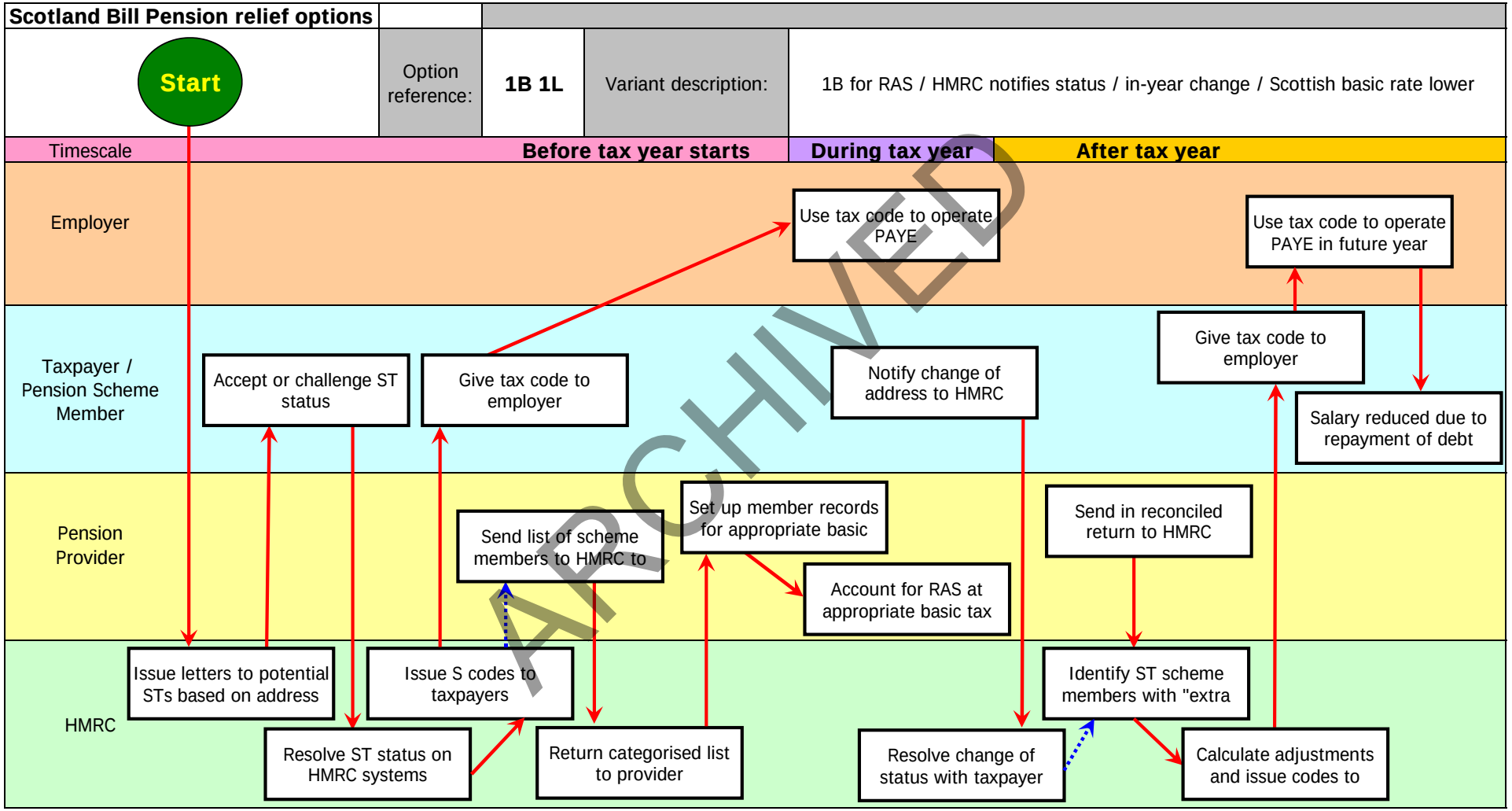

Scotland Bill Pension relief options
Start
Option reference:
1 RAS 4
Variant description:
Option 1 for RAS / ST notification from member / in-year status change
Timescale
Before tax year starts
During tax year
Employer
Use tax code to operate PAYE
Taxpayer / Pension Scheme Member
Accept or challenge ST status
Give tax code to employer
Notify UKT or ST status to provider
Notify change of address to HMRC
Notify change of status to provider
Pension Provider
Ask each scheme member if they are a
Account for RAS at appropriate basic tax
Update system, take retrospective action & account for RAS at appropriate basic rate
HMRC
Issue letters to potential STs based on address
Issue S codes to taxpayers
Resolve ST status on HMRC systems
Resolve change of status with taxpayer
ARCHIVED

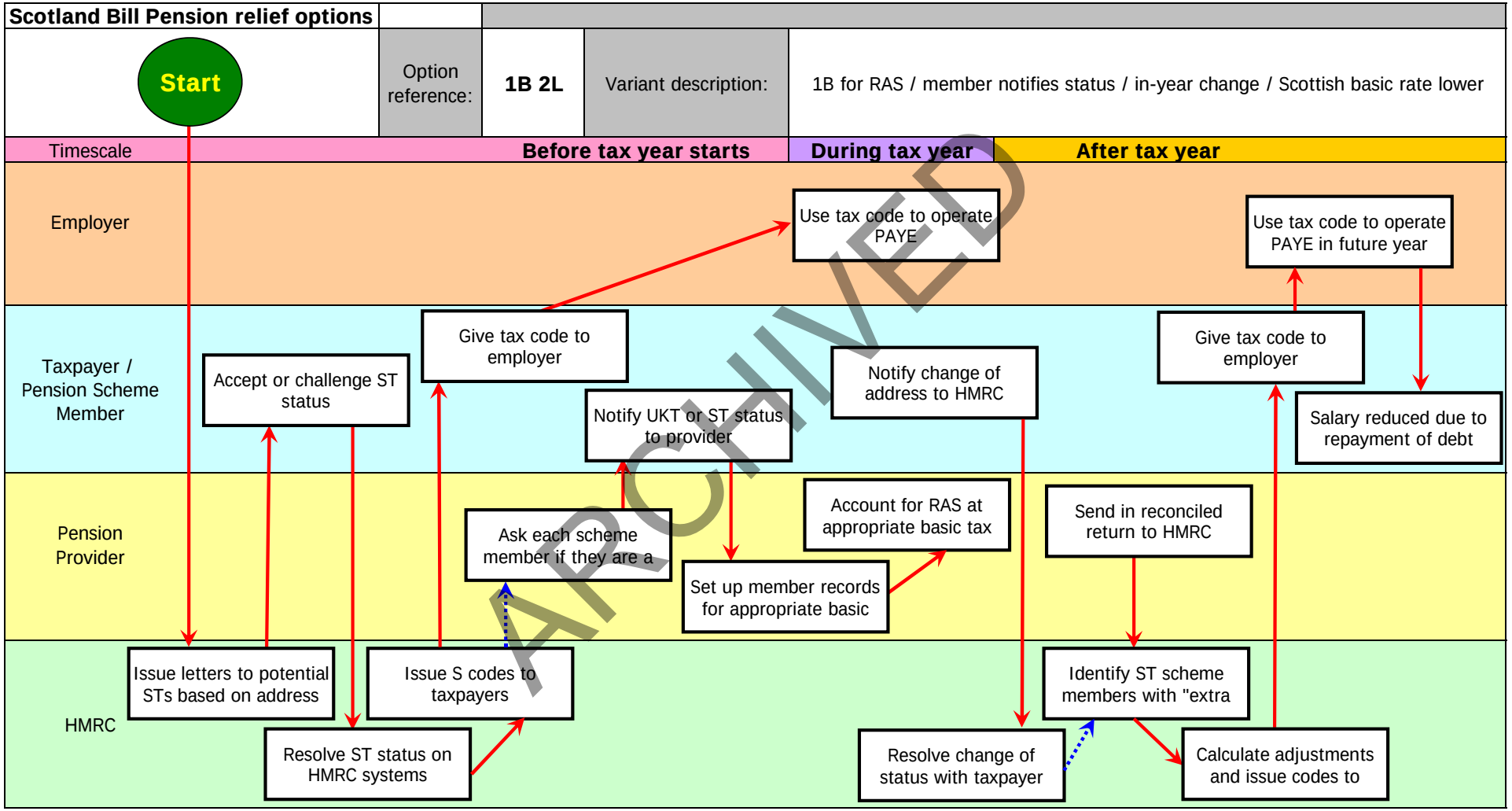

Scotland Bill Pension relief options
Start
Option reference:
1 Net 1
Variant description:
Option 1 for Net Pay with no in-year change
Timescale
Before tax year starts
During tax year
Employer
Deduct pension contributions before tax
Use tax code to operate PAYE
Taxpayer / Pension Scheme Member
Accept or challenge ST status
Give tax code to employer
Pension Provider
HMRC
Issue letters to potential STs based on address
Resolve ST status on HMRC systems
Issue S codes to taxpayers
ARCHIVED

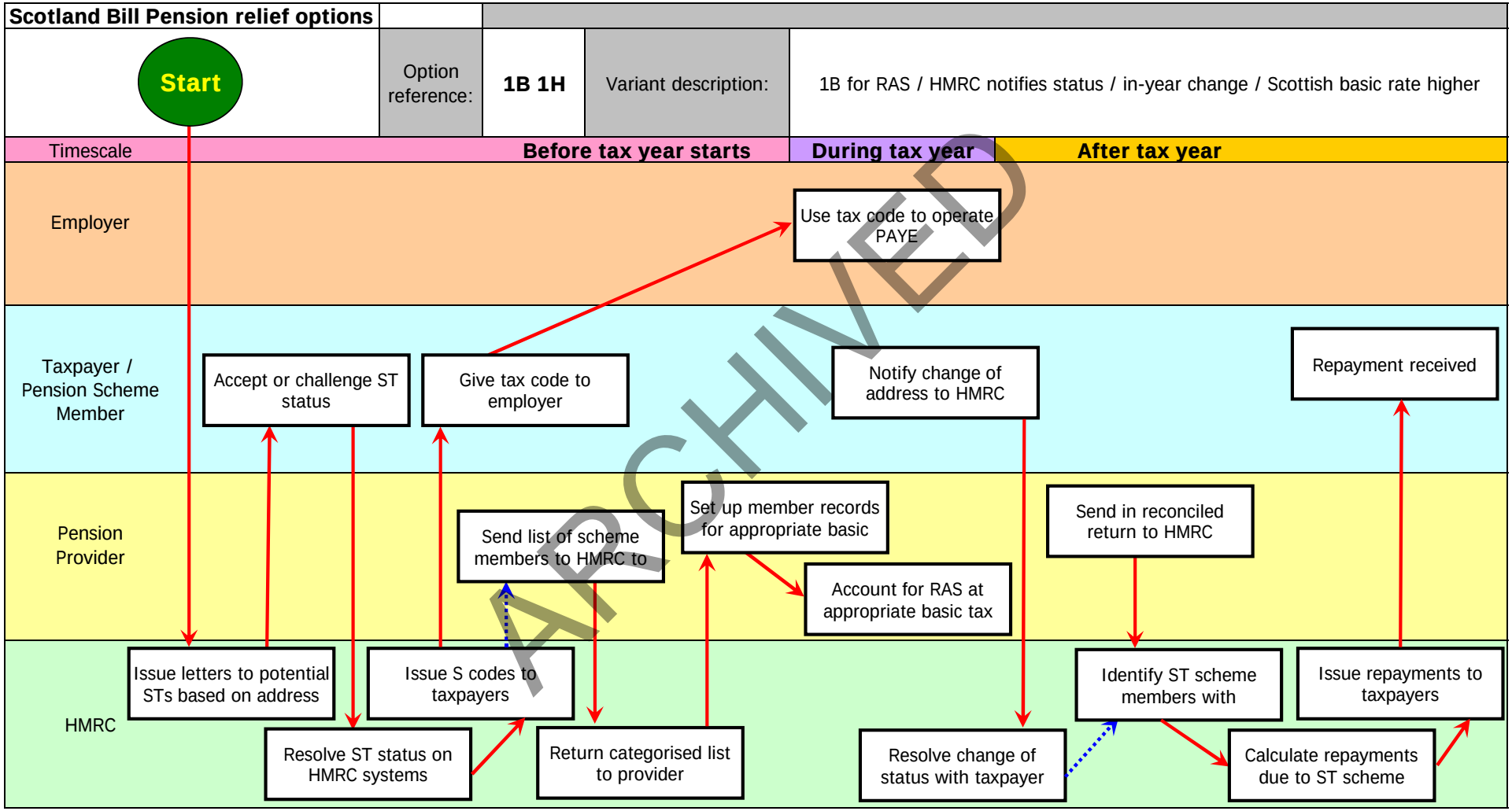

Scotland Bill Pension relief options
Start
Option reference:
1 Net 2
Variant description:
Option 1 for Net Pay with an in-year change status change
Timescale
Before tax year starts
During tax year
Employer
Deduct pension contributions before tax
Use tax code to operate PAYE
Update tax code and continue to deduct contributions and operate PAYE
Taxpayer / Pension Scheme Member
Accept or challenge ST status
Give tax code to employer
Notify change of address to HMRC
Give tax code to employer
Pension Provider
HMRC
Issue letters to potential STs based on address
Resolve ST status on HMRC systems
Issue S codes to taxpayers
Resolve change of status with taxpayer
Issue revised tax code to taxpayer
ARCHIVED

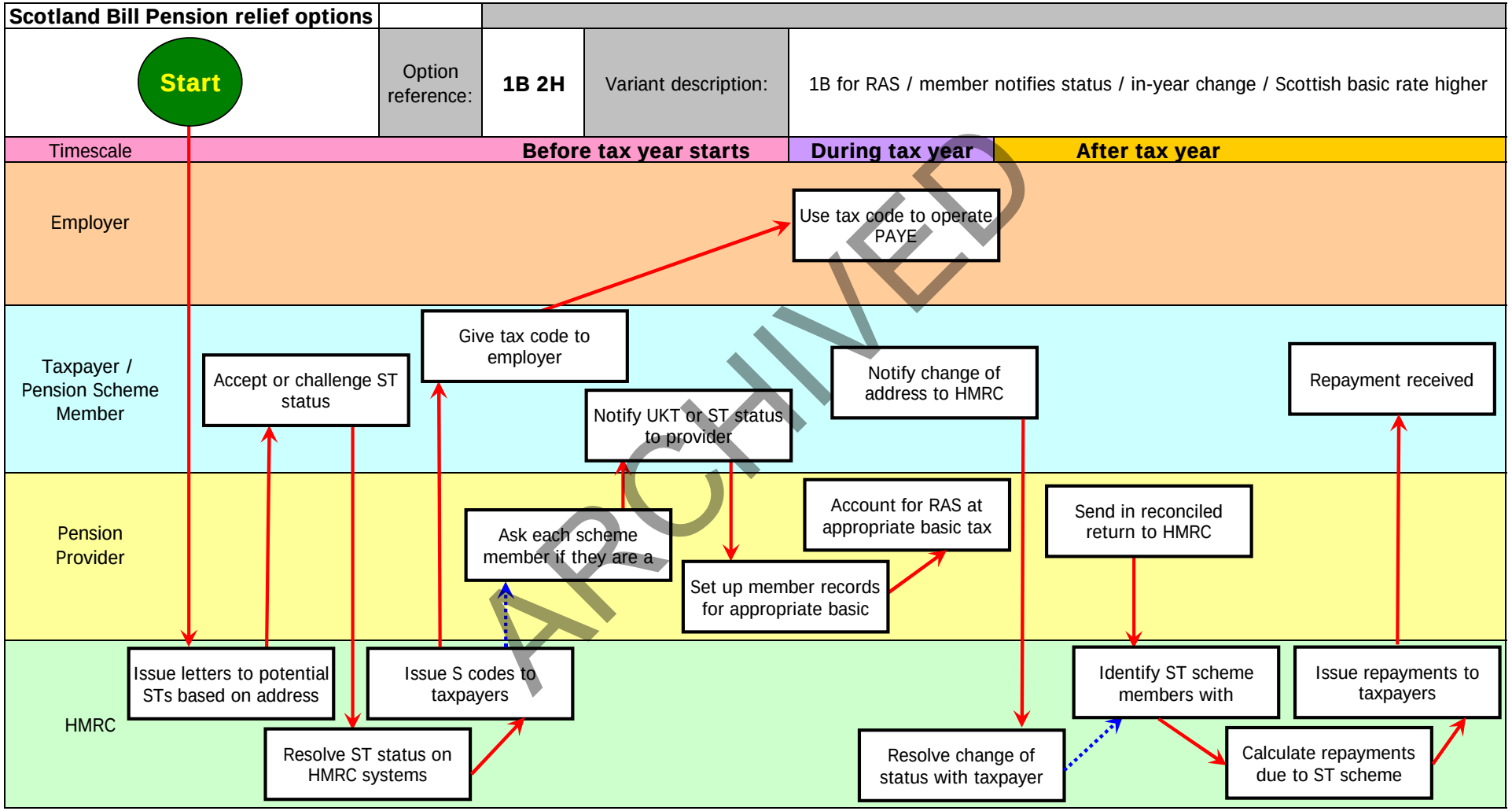

Scotland Bill Pension relief options
Start
Option reference:
1A L
Variant description:
Option 1A for RAS with Scottish basic rate lower
Timescale
During tax year
After tax year
Employer
Operate PAYE as normal
Use tax code to operate PAYE in future year
Taxpayer / Pension Scheme Member
Salary higher than it would have been under
Give tax code to employer
Salary reduced due to repayment of debt
Pension Provider
Account for RAS at UK basic tax rate
Send in reconciled return to HMRC
HMRC
Identify ST scheme members with "extra
Calculate adjustments to tax codes
Issue adjusted codes to taxpayers
ARCHIVED

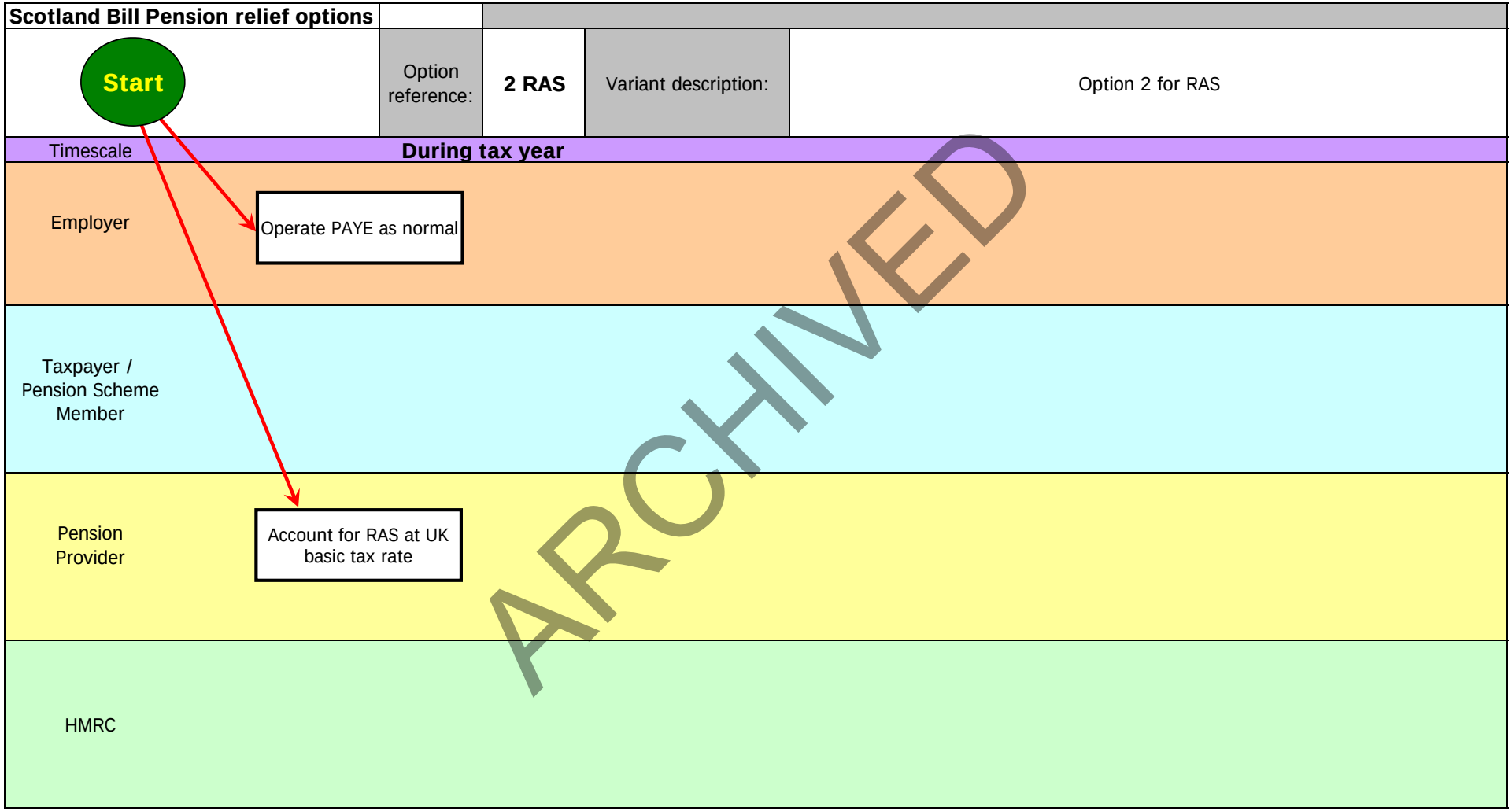

Scotland Bill Pension relief options
Start
Option reference:
1A H
Variant description:
Option 1A for RAS with Scottish basic rate higher
Timescale
During tax year
After tax year
Employer
Operate PAYE as normal
Taxpayer / Pension Scheme Member
Salary lower than it would have been under
Repayment received
Pension Provider
Account for RAS at UK basic tax rate
Send in reconciled return to HMRC
HMRC
Identify ST scheme members with
Calculate repayments due to ST scheme
Issue repayments to taxpayers
ARCHIVED


Scotland Bill Pension relief options
Start
Option reference:
1B 1L
Variant description:
1B for RAS / HMRC notifies status / in-year change / Scottish basic rate lower
Timescale
Before tax year starts
During tax year
After tax year
Employer
Taxpayer / Pension Scheme Member
Pension Provider
HMRC
Use tax code to operate PAYE
Use tax code to operate PAYE in future year
Give tax code to employer
Accept or challenge ST status
Give tax code to employer
Notify change of address to HMRC
Salary reduced due to repayment of debt
Send list of scheme members to HMRC to
Set up member records for appropriate basic
Account for RAS at appropriate basic tax
Send in reconciled return to HMRC
Issue letters to potential STs based on address
Issue S codes to taxpayers
Identify ST scheme members with "extra
Resolve ST status on HMRC systems
Return categorised list to provider
Resolve change of status with taxpayer
Calculate adjustments and issue codes to
ARCHIVED

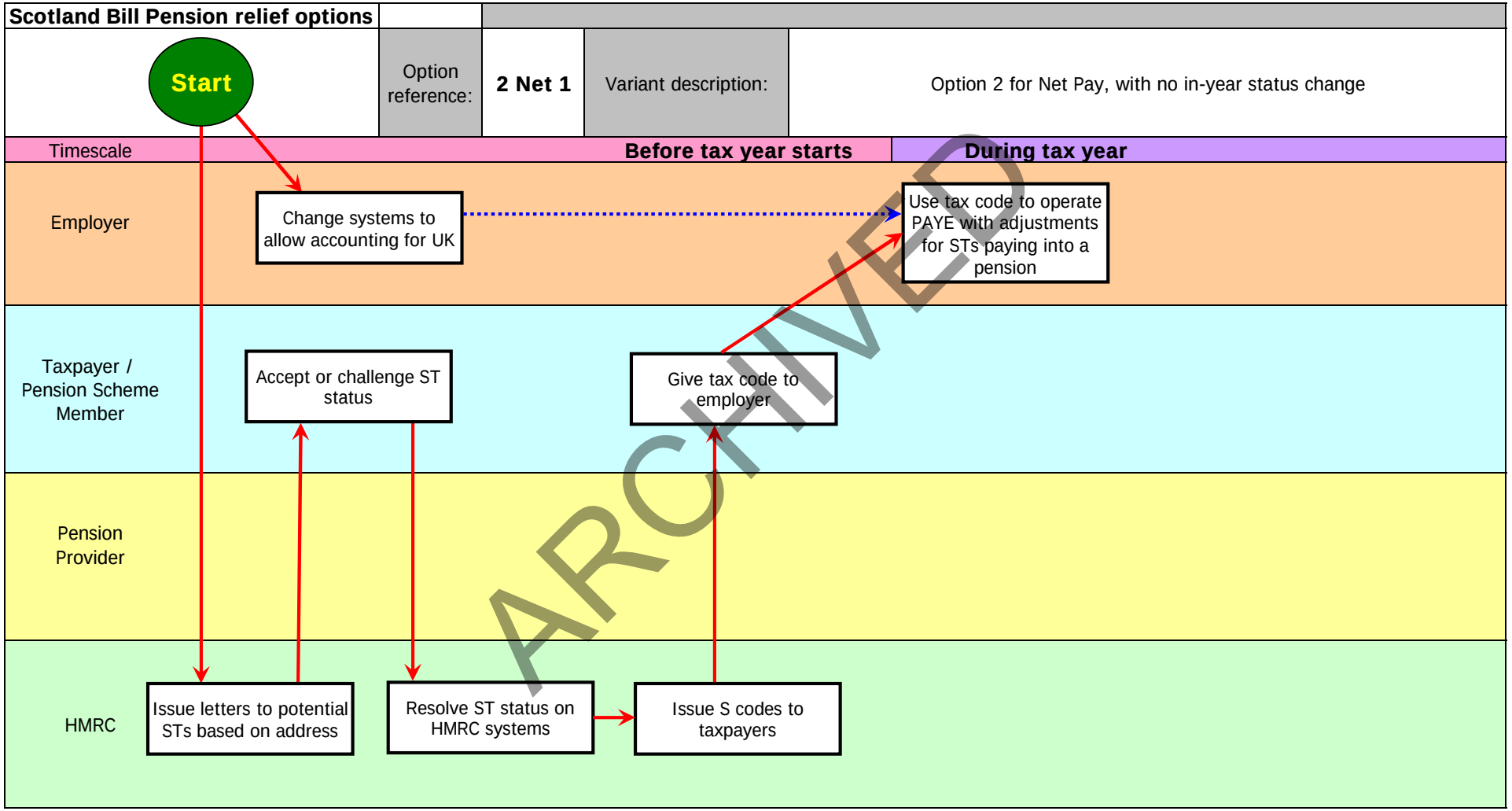

Scotland Bill Pension relief options
Start
Option reference:
1B 2L
Variant description:
1B for RAS / member notifies status / in-year change / Scottish basic rate lower
Timescale
Before tax year starts
During tax year
After tax year
Employer
Taxpayer / Pension Scheme Member
Pension Provider
HMRC
Use tax code to operate PAYE
Use tax code to operate PAYE in future year
Give tax code to employer
Give tax code to employer
Accept or challenge ST status
Notify UKT or ST status to provider
Notify change of address to HMRC
Salary reduced due to repayment of debt
Ask each scheme member if they are a
Account for RAS at appropriate basic tax
Set up member records for appropriate basic
Send in reconciled return to HMRC
Issue letters to potential STs based on address
Issue S codes to taxpayers
Identify ST scheme members with "extra
Resolve ST status on HMRC systems
Resolve change of status with taxpayer
Calculate adjustments and issue codes to
ARCHIVED

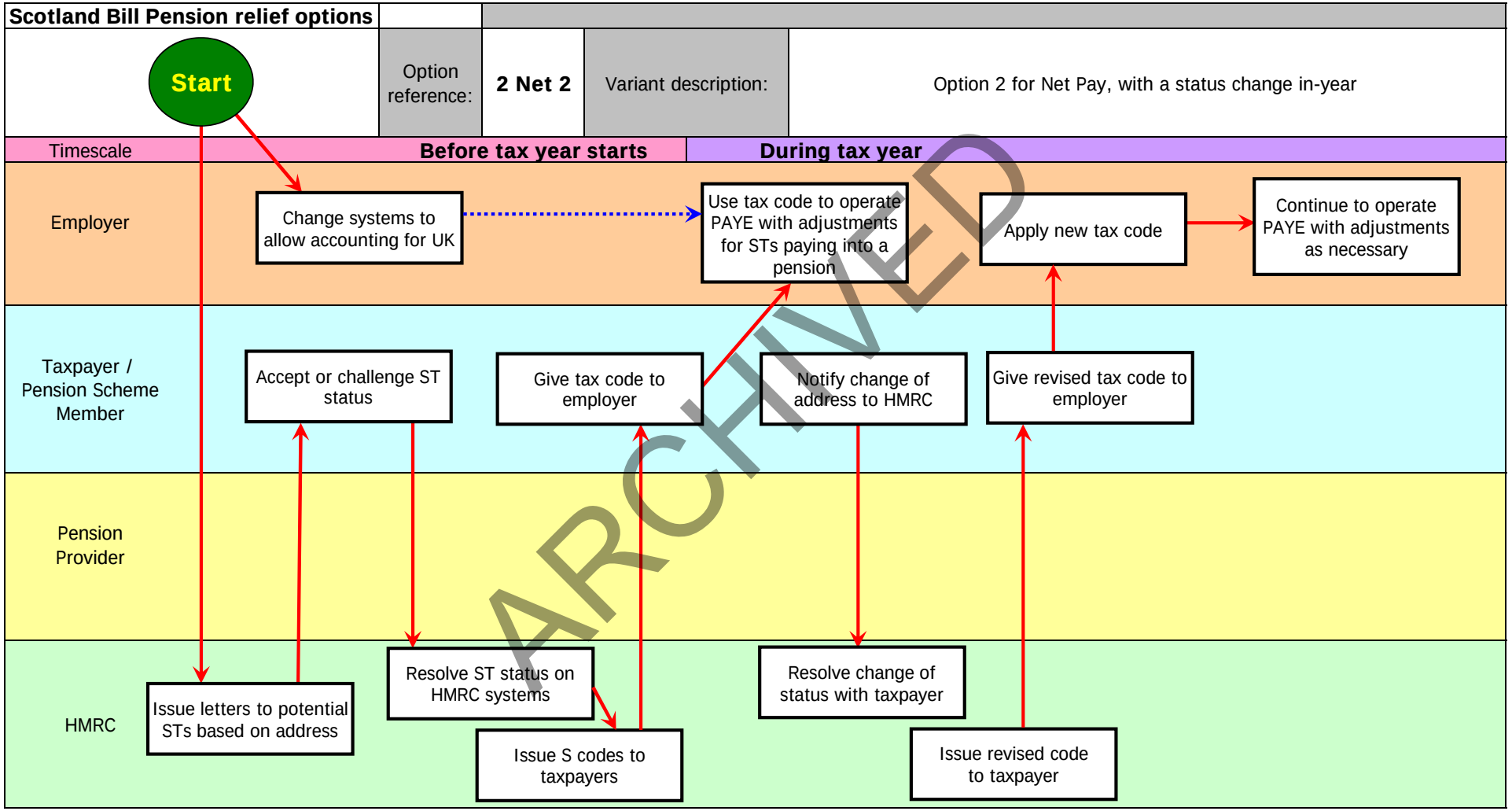

Scotland Bill Pension relief options
Start
Option reference:
1B 1H
Variant description:
1B for RAS / HMRC notifies status / in-year change / Scottish basic rate higher
Timescale
Before tax year starts
During tax year
After tax year
Employer
Use tax code to operate PAYE
Taxpayer / Pension Scheme Member
Accept or challenge ST status
Give tax code to employer
Notify change of address to HMRC
Repayment received
Pension Provider
Send list of scheme members to HMRC to
Set up member records for appropriate basic
Account for RAS at appropriate basic tax
Send in reconciled return to HMRC
HMRC
Issue letters to potential STs based on address
Issue S codes to taxpayers
Resolve ST status on HMRC systems
Return categorised list to provider
Resolve change of status with taxpayer
Identify ST scheme members with
Calculate repayments due to ST scheme
Issue repayments to taxpayers
ARCHIVED


Scotland Bill Pension relief options
Start
Option reference:
1B 2H
Variant description:
1B for RAS / member notifies status / in-year change / Scottish basic rate higher
Timescale
Before tax year starts
During tax year
After tax year
Employer
Use tax code to operate PAYE
Taxpayer / Pension Scheme Member
Give tax code to employer
Accept or challenge ST status
Notify UKT or ST status to provider
Notify change of address to HMRC
Repayment received
Pension Provider
Ask each scheme member if they are a
Account for RAS at appropriate basic tax
Set up member records for appropriate basic
Send in reconciled return to HMRC
HMRC
Issue letters to potential STs based on address
Issue S codes to taxpayers
Resolve ST status on HMRC systems
Resolve change of status with taxpayer
Identify ST scheme members with
Calculate repayments due to ST scheme
Issue repayments to taxpayers
ARCHIVED


Scotland Bill Pension relief options
Start
Option reference:
2 RAS
Variant description:
Option 2 for RAS
Timescale
During tax year
Employer
Operate PAYE as normal
Taxpayer / Pension Scheme Member
Pension Provider
Account for RAS at UK basic tax rate
HMRC

ARCHIVED


Scotland Bill Pension relief options
Start
Option reference:
2 Net 1
Variant description:
Option 2 for Net Pay, with no in-year status change
Timescale
Before tax year starts
During tax year
Employer
Change systems to allow accounting for UK
Use tax code to operate PAYE with adjustments for STs paying into a pension
Taxpayer / Pension Scheme Member
Accept or challenge ST status
Give tax code to employer
Pension Provider
HMRC
Issue letters to potential STs based on address
Resolve ST status on HMRC systems
Issue S codes to taxpayers
ARCHIVED


Scotland Bill Pension relief options
Start
Option reference:
2 Net 2
Variant description:
Option 2 for Net Pay, with a status change in-year
Timescale
Before tax year starts
During tax year
Employer
Change systems to allow accounting for UK
Use tax code to operate PAYE with adjustments for STs paying into a pension
Apply new tax code
Continue to operate PAYE with adjustments as necessary
Taxpayer / Pension Scheme Member
Accept or challenge ST status
Give tax code to employer
Notify change of address to HMRC
Give revised tax code to employer
Pension Provider
HMRC
Issue letters to potential STs based on address
Resolve ST status on HMRC systems
Issue S codes to taxpayers
Resolve change of status with taxpayer
Issue revised code to taxpayer
ARCHIVED