

**EXPLANATORY MEMORANDUM TO**  
**THE REGISTERED PENSION SCHEMES (AUTHORISED PAYMENTS)**  
**(AMENDMENT) REGULATIONS 2017**

2017 No. [XXXX]

**1. Introduction**

- 1.1 This explanatory memorandum has been prepared by Her Majesty's Revenue & Customs ("HMRC") and is laid before the House of Commons by Command of Her Majesty.
- 1.2 This memorandum contains information for the Select Committee on Statutory Instruments.

**2. Purpose of the instrument**

- 2.1 This instrument amends the Registered Pension Schemes (Authorised Payments) Regulations 2009 (S.I. 2009/1171)(the "2009 Regulations").
- 2.2 It introduces a new authorised payment and sets out the conditions that must be met in order for the payment to be authorised.
- 2.3 The new authorised payment will be known as the pension advice allowance payment. This payment may be made by registered pension schemes directly to a regulated financial advisor, for either the member of the scheme or a beneficiary of such a member. It allows the individual to use up to £500 from the pension pot to pay towards the cost of receiving retirement financial advice and/or the cost of implementing such advice.
- 2.4 They are able to use this facility no more than once in any one tax year, and no more than three times in total.

**3. Matters of special interest to Parliament**

*Matters of special interest to the Select Committee on Statutory Instruments*

- 3.1 This instrument provides for a new authorised payment that will be available for registered pension scheme members and beneficiaries to use towards the cost of retirement financial advice that they receive from regulated financial advisors.
- 3.2 This instrument sets out the conditions that must be met in order for the payment to be an authorised payment.
- 3.3 If the conditions are not met and the payment is made, the recipient and the registered pension scheme may be liable for the unauthorised payments charge.

*Other matters of interest to the House of Commons*

- 3.4 As this instrument is subject to negative resolution procedure and has not been prayed against, consideration as to whether there are other matters of interest to the House of Commons does not arise at this stage.

#### **4. Legislative Context**

- 4.1 This instrument amends the 2009 Regulations and introduces a new authorised payment
- 4.2 Under section 160(1) of the Finance Act 2004 (“FA 2004”), the only payments a registered pension scheme is authorised to make to a member or beneficiary from the pension pot are those payments specified in section 164 FA 2004, that is, authorised member payments.
- 4.3 Section 164(1)(f) confers powers on HMRC to prescribe by Regulations payments that will be authorised member payments.
- 4.4 This instrument sets out the conditions that must be met in order for the Pensions Advice Allowance payment to be an authorised payment.
- 4.5 This instrument will have effect from 6 April 2017.

#### **5. Extent and Territorial Application**

- 5.1 The extent of this instrument is the United Kingdom.
- 5.2 The territorial application of this instrument is the United Kingdom.

#### **6. European Convention on Human Rights**

- 6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

#### **7. Policy background**

##### *What is being done and why*

- 7.1 The Pensions Advice Allowance was recommended by the Financial Advice Market Review (FAMR), which found that high quality financial advice can have a significant impact on retirement income if received early.
- 7.2 The FAMR recognised that high quality financial advice in the UK is not always accessible or affordable for individuals with lower levels of wealth.
- 7.3 The Pensions Advice Allowance payment will allow consumers to access £500 of their defined contribution or hybrid arrangement pension pot tax free at any age, to redeem against the cost of retirement financial advice. This is intended to make retirement financial advice more affordable, and encourage consumers to consider taking advice to plan for their retirement.

##### *Consolidation*

- 7.4 The Regulations will amend the 2009 Regulations. They will not be consolidated.

#### **8. Consultation outcome**

- 8.1 This instrument will be subject to a three week technical consultation. This technical consultation follows a consultation on the policy that took place from 30 August 2016.

## **9. Guidance**

- 9.1 Once the regulations are in force, guidance on this instrument will be included in the next available update of the HMRC Pensions Tax Manual.

## **10. Impact**

- 10.1 The impact on business is expected to be negligible because there are only expected to be one-off costs in relation to familiarisation with the new rules and no on-going costs are expected. No impact on charities or voluntary bodies is foreseen.
- 10.2 There is no impact on the public sector.
- 10.3 An Impact Assessment is submitted with this memorandum and will be published alongside the Explanatory Memorandum on the [legislation.gov.uk](http://legislation.gov.uk) website.

## **11. Regulating small business**

- 11.1 The legislation applies to activities that are undertaken by small businesses.

## **12. Monitoring & review**

- 12.1 The measure will be monitored through communication with taxpayer groups including, for example, industry representatives on the Pension Forum.

## **13. Contact**

- 13.1 Karen Bishop at HMRC, telephone: 03000 512336 or email: [pensions.policy@hmrc.gsi.gov.uk](mailto:pensions.policy@hmrc.gsi.gov.uk) can answer any queries regarding the instrument.