HM Revenue & Customs

Pensions Tax: COVID-19 related changes to protected pension age

Who is likely to be affected

Retired members of the police, fire service and other uniformed services.

Those who have retired or are intending to retire soon and are returning to work, who otherwise might be at risk of losing their protected pension age.

General description of the measure

Some individuals who were members of pension schemes before 6 April 2006, including some police, firefighters and other uniformed service personnel, have protected pension ages in respect of those schemes, meaning they are able to receive pension benefits at an age below the current normal minimum pension age.

This measure will allow those individuals to retain their protected pension rights when they are re-employed by the sponsoring employer of the scheme under which their pension benefits arise or by an employer connected with that sponsoring employer.

Individuals will be able to retain their protected pension age regardless of the period between the date they ceased and re-joined employment. The individual will be allowed to retain their protected pension age even if they are re-employed in the same job and role.

Individuals will retain their protected pension age regardless of whether there is a requirement in the individual’s scheme that their pension must be abated due to their re-employment.

Policy objective

This measure supports the government’s COVID-19 response by ensuring that retired members of the police, fire and other public service pension schemes, including the uniformed services pension schemes, who are returning to work do not face adverse pension consequences.

Background to the measure

Prior to 6 April 2006, there were a number of different tax regimes governing pensions, depending on the type of pension and the tax rules in place when the individual joined the scheme. The position changed from 6 April 2006 when the current rules came into force.

Under the previous tax regimes some pension scheme members were able to retire at an age lower than the normal pension age. As part of the changes introduced from 6 April 2006, these people were able to retain that lower pension age subject to certain conditions. This ‘protected pension age’ is specific to the scheme under which the member had the rights to payment of benefits as at 5 April 2006. The payment conditions that apply to an individual with a protected pension age reflect the tax rules that applied before 6 April 2006.

Following the spread of COVID-19 the government wishes to encourage retired members of the public service pension schemes to re-join the workforce to aid in this pandemic. In doing so under the current law these persons would lose their protected pension age.

Detailed proposal

Operative date

These changes will apply for a limited period. They will apply from the 1 March 2020 and will remain in effect until the 1 November 2020 at which time they will be reviewed.

Current law

The legislation providing for protected pension ages is set out in Finance Act 2004, Schedule 36, paragraph 21 to 23A.

Under the current legislation, those individuals with a protected pension age in the range 50 to 54 would lose the benefit of their protected pension age and become liable to unauthorised payment tax charges if they access their pension benefits and either (i) continue to work without a break in service or (ii) return immediately to service without a break of at least one month.

Those with a protected pension age of less than 50 do not lose their protection unless they are connected to the new employer (as defined under section 1122 Corporation Tax Act 2010).

Proposed revisions

Legislation will be introduced as part of Finance Bill 2020 to amend the protected pension retirement conditions. Individuals will not lose their protected pension age should they return to work with the same employer or an employer connected to that employer, in the same field from which they retired, whether or not there is a break between the date they retire and the date they are re-employed, if they do so as part of the government's response to Covid-19.

These individuals will retain their protected pension age whether or not there is a requirement in their pension scheme that their pension must be abated due to the re-employment.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
negligible	negligible	negligible	negligible	negligible	negligible

This measure is expected to have a negligible impact on the Exchequer.

Economic impact

This measure is not expected to have any significant economic impacts.

Impact on individuals, households and families

This measure will support the police force, firefighters and other uniformed services and is expected to have an impact on any individuals who have a protected pension age and return to work as part of the COVID-19 response. Without this measure these individuals would be subject to a loss of protected pension rights. This measure will have a positive impact by ensuring that affected individuals experience no negative pension consequences for returning to the workplace even if it is the field from which they retired.

There is not expected to be any impact on family formation, stability or breakdown as this measure ensures individuals are not negatively financially affected through returning to work.

Customer experience with HMRC is expected to stay broadly the same as it does not change how individuals interact with HMRC.

Equalities impacts

It is expected that this measure will affect more men than women; this is particularly the case in the police and fire service. As of March 2019, women made up 42.77% of the police force and 16.7% of the fire service.

It is not anticipated that there will be any particular impact on other groups sharing protected characteristics.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses who administer registered pension schemes.

One-off costs for these businesses will include familiarisation with the changes.

There are not expected to be any continuing costs.

Customer experience is expected to stay broadly the same as it does not change how businesses interact with HMRC.

This measure is not expected to have an impact on civil society organisations.

Operational impact (£m) (HMRC or other)

It is not anticipated that the changes in this measure will have any operational impact.

Other impacts

Other impacts have been considered and none has been identified.

Monitoring and evaluation

The measure will be monitored through information collected from tax receipts.

Further advice

If you have any questions about this change, please contact Helen Early Telephone: 03000 512336 or email: pensions.policy@hmrc.gov.uk

Declaration

The Rt Hon Jesse Norman MP, Financial Secretary to the Treasury, has read this tax information and impact note and is satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impacts of the measure.