HMRC Pension Schemes Services
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HM Revenue & Customs

Newsletter

Contents

1. Tax Vouchers submitted with R63N claims

If you are submitting an R63N or SA970 repayment claim please note that tax certificates and vouchers are not required, however please keep these with your records as we may need to see them at a later date.

From April 2015 if you send in tax certificates or vouchers that we have not requested we will return them to you.

2. Guidance Update

We have published the draft Pensions Tax Manual guidance. We have published this in draft to give the pensions industry the opportunity to comment so that we can factor your comments into the final version of the Pensions Tax Manual that we will publish later in the year.

You can find more information about the Pensions Tax Manual at HMRC to publish new draft pensions tax manual - News stories - GOV.UK

Once we update the Pensions Tax Manual, following the consultation period, the Registered Pension Schemes Manual will be removed from the GOV.UK website, but will remain available in its full form on the National Archives site.

3. Pension liberation

In February 2015 we published our pension liberation newsletter. This is a reminder that from April 2015 scheme administrators will be required to provide HM Revenue and Customs (HMRC) with additional information and declarations online and may be asked to produce further information.

In addition we have:

- amended the information that must be provided to HMRC when a scheme changes its structure. This is to prevent a scheme being set up legitimately and then changing its structure to become a scheme that is more likely to be the target of pension liberation
- amended the member ranges to be recorded upon registration of a new pension scheme. All schemes already registered will automatically be converted to one of the new member ranges so after April 2015, when you're next using our online system please check that the member range for your scheme is correct. If not please amend this through your event report
- removed the ability to amend a scheme administrator name online. In future you will need to submit this change in writing

Updated guidance will be published on GOV.UK in the new tax year.

4. Relief at source

4a. Notices for 2014 to 2015 information

As you will know, in February of each year we issue Notices to submit annual returns of individual information for each registered pension scheme operating relief at source.

Following the work we have been doing to strengthen our relief at source repayment processes we have delayed issuing the 2014 to 2015 Notices for information. This is because we are conducting a data cleanse of our records to ensure that Notices are not being issued unnecessarily.

We expect the 2014 to 2015 Notice under Regulation 15(1) of the Registered Pension Schemes (Relief at Source) to be issued in April 2015.

If you expect to receive a Notice to provide this information but have not received one by June 2015, please contact pensionschemes@hmrc.gov.uk .

Please remember that failure to submit by the deadline specified in the Notice will result in any subsequent interim repayments claims being suspended pending receipt of the completed annual return of individual information.

You can find more information on relief at source repayments and the member information we may ask for relating to relief at source on GOV.UK at Pension administrators: reclaim tax relief using relief at source - Detailed guidance - GOV.UK.

4b. National Insurance number statements

We are aware that some schemes may be accepting statements from members who have a national insurance number but who have not provided this to the scheme administrator.

Under Reg 4(2), The Registered Pension Schemes (Relief at Source) Regulations 2005 - SI 2005/3348 it states that when members join a scheme and before they make their first RAS contribution they, or a representative will have to provide the scheme administrator with some basic personal information such as full name, permanent residential address (including postcode if resident in the UK), date of birth and National Insurance number.

If the member does not have a National Insurance number, they can provide a statement giving reasons why they do not hold such a number, for example because they are under the age of 16 or a citizen of a country outside the United Kingdom who is not resident in the United Kingdom.

A pension scheme should not accept contributions as relievable contributions without the relevant declarations/statements as set out above and a member has no entitlement to relief at source. If a scheme makes relief at source claims for members in these circumstances, HMRC is entitled to ask for the relief at source to be repaid.

If a member doesn't know if they have a National Insurance number or has lost their National Insurance number, they can find more information about how to trace this on GOV.UK.

Find a lost National Insurance number - GOV.UK

We will update our guidance on GOV.UK shortly to cover this.

5. Certificates of residence

As you may be aware, the process for HMRC issuing certificates of residence for registered pension schemes changed from 4 August 2014.

This is a reminder that you must complete and submit an APSS146E to apply for a certificate of residence even if you are also submitting an overseas tax form for us to stamp as an alternative to the certificate of residence that we issue.

You can submit the APSS146E via email, however if you are sending in an accompanying form issued by the overseas tax authority you must send this through the post. Any emailed submission which includes both the APSS146E and form issued by the overseas tax authority overseas will be rejected.

You need to ensure that all parts of the APSS146E are completed accurately. We will reject any application that is not fully completed or contains inaccuracies (for example if the DTA Article numbers are incorrect).

In addition please note that you must submit the APSS146C and D third party authority forms by post as we require wet signatures. However, if you have already completed forms APSS146A and B in respect of UK repayments and the authorised signatories are also dealing with the overseas repayments on behalf of the registered pension scheme, then you do not need to complete an APSS146C and D.

Also if you have submitted a global custodian list for UK repayments and the authorised signatories are also dealing with the overseas repayments then you do not need to complete an APSS146C and D or complete another global custodian list in respect of the overseas repayments.

6. Pension flexibility – tax on payments to scheme members

Changes to pension rules mean that, from 6 April 2015, many people can choose to withdraw money from their pension pot in a variety of new ways.

It is very important that anyone considering making a withdrawal is aware of the tax implications before they make a decision: a choice that's right for some people could lead to a large and unexpected tax bill for others.

The tax on someone's withdrawal will depend on their individual circumstances – for instance, their income, the amount they want to take and the number of withdrawals they plan to take.

Those considering making a withdrawal from their pension can arrange a personal appointment to discuss their options and receive impartial guidance at www.pensionwise.gov.uk

How the tax is paid

The pension provider might hold a current P45 form for the person making the withdrawal, and therefore know the tax code to be applied for the year. This could be because the person has just stopped working or is no longer claiming Job Seekers Allowance. Where a current P45 is held, the pension provider can deduct the correct amount of tax from payments as they are made.

However, where a current P45 is not held, the pension provider will have to deduct tax from the payment at a temporary rate (called emergency rate). In most cases, this will mean that the person making the withdrawal may be due a tax refund.

The method for claiming the tax back will depend on the person's circumstances – for instance, on what other income they have in that tax year and whether they have emptied their pension fund. All pension providers will be able to advise their customers on what to do if they need to claim a repayment of tax.

Here are 4 scenarios:

Scenario 1.

If someone chooses to empty their pension fund in a single withdrawal, and their pension provider does not hold a current P45 for them, the provider will deduct tax from the payment at a temporary rate (called emergency rate). They will then send the person a P45 form, which sets out how much tax they have paid in the year.

In most of these cases, the person making the withdrawal will be due a tax refund. Either they can wait until after the end of the tax year, when HMRC will reconcile their account and make any repayment owed as part of its normal PAYE process, or they can claim the tax back in the same year. To do this, they will need to send HMRC their P45, along with 1 of 2 new forms: a P50Z if they have no other PAYE or pension income (other than the state pension) and a P53Z if they have other employments or pensions.

Scenario 2.

If someone chooses to make regular withdrawals across the tax year, and their pension provider does not hold a current P45 for them, the first payment will be taxed at the temporary rate. HMRC will then work with the pension provider to issue a new tax code so that the subsequent withdrawals made over the year will correct the person's tax position.

Scenario 3.

If someone chooses to make one withdrawal that does not empty their pension pot – or intends to make a series of unplanned/irregular withdrawals across the year – the pension provider will deduct tax at the temporary rate unless it holds a current P45. In most cases, this will mean that the person making the withdrawal will be due a tax refund.

Those making a single withdrawal in the tax year have 2 options: they can an either wait until after the end of the tax year, when HMRC will reconcile their account and make any repayment owed as part of its normal PAYE process, or they can claim tax back in the same year. They can do this by completing a new P55 form and sending it to HMRC so that their tax can be calculated and any repayment made.

Those intending to make a series of withdrawals at irregular times across the tax year should talk to their pension provider. Having applied the temporary rate of tax to the first payment, in some cases the provider might be able to report a zero payment for the months where no withdrawal is made, and work with HMRC to tax subsequent withdrawals and correct the person's tax position.

Scenario 4.

All of the same processes also apply for those who are in Self Assessment (SA), with any overpaid tax repaid by HMRC through a credit on the person's SA account.

Getting help

It is very important that anyone considering making a withdrawal is aware of how they would be taxed. Impartial guidance is available by the Citizen's Advice Bureau and the Pensions Advisory Service, through a service called 'Pension wise'.

Go to www.pensionwise.gov.uk for details.

7. Pension flexibility – scheme administrators

7a. Reporting and quantifying flexi-access payments on RTI

We have been asked to clarify how scheme administrators should report and quantify flexi-access payments on RTI.

As we explained in Pensions Newsletter 67, scheme administrators must be able to separately identify and quantify the flexibly accessed element of any payment, when reporting the payment through RTI.

To do this scheme administrators should make payments related to data item 168 separately under separate payroll IDs or make payments on different dates under the same payroll ID. The payments normally must be reported on or before payment using all appropriate data items taking into consideration

Number	Data item
33	indicator that an occupational pension is being paid because they are a recently bereaved spouse or civil partner
34	The annual amount of occupational pension
38	Payroll ID
41A	Taxable pay to date
41B	Total tax to date
42	Pay frequency*
43	Payment date
44	Tax week number
45	Tax month number
55	Tax code operated on the payment
56	If the tax code basis is non-cumulative
58	Taxable pay in this period
58A	Value of payments not subject to tax or NICs
154	Late reporting reason
168	Flexibly accessing pension rights

You can find a full list of all RTI data items here https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/366428/rti-data-item-guide-15-16.pdf.

*Regarding pay frequencies, for a single uncrystallised funds pensions lump sum (UFPLS) that extinguishes the pot you should use data item 42 IO. For an irregular payment you should use data item 40A & 42 IR.

7b. Tax free payments - 25% tax free on UFPLS retraction

In Pensions Newsletter 67 we said that the 25% tax free element of an UFPLS payment should not be reported at all under RTI. This is not the case.

Following feedback from the industry we have done some further work to look at the reporting of these payments under RTI and can now confirm that if you make a payment by BACS using an allocated BACS Service User Number (SUN) you should include the full amount of the payment in your Full Payment Submission (FPS) and complete Data item 58A in respect of the 25% tax free element of an UFPLS.

7c. Tax free payments – death benefit lump sums

We have also been asked about the RTI reporting of tax free death benefit lump sums. We can confirm that if a member dies and is under the age of 75, any payments you make to their beneficiaries, whether lump sum or regular monthly payments are non-taxable payments and should not be reported through RTI. However this only applies if the whole of the payment being made to the beneficiary at that time relates to the non-taxable death benefit.

If you make a payment by BACS using an allocated BACS (SUN) to the beneficiary and the payment includes any taxable element that should be reported through RTI you should include the full amount of the payment in your FPS and complete Data item 58A in respect of the non-taxable death benefit.

7d. Application of revised tax codes

Where you are making irregular payments to an individual who hasn't extinguished their fund, HMRC will issue the scheme administrator with a revised tax code to apply against future payments.

If payments are not being made on a monthly basis scheme administrators, where payroll systems allow, can report a zero payment via RTI and apply the revised cumulative tax code against that zero payment. This will have the effect of repaying a portion of the overpaid tax back to the scheme member, meaning that by the end of the year their tax position will have been corrected.

This option will depend on if your payroll software allows zero payments to be made.

Scheme members will need to consider the possible tax implications when making decisions about how and when to take payments under the pension flexibility tax rules.

We have included an annex at the end of this newsletter with information for members and you may wish to signpost your members to this. Alternatively you may find it useful to use some of the text in messages to your members.

7e. Pension flexibility: new tax repayment claim forms

Three new forms will be available from 6 April 2015 for individuals to claim back overpayments of tax on pension flexibility payments taxed at emergency code.

P50Z - individuals members should only use the P50Z form if:

- they've taken a pension flexibility payment that uses up their pension pot and
- they have no other income

P53Z – individuals should only use the P53Z form if:

- they've taken a pension flexibility payment that uses up their pension pot and
- they have other taxable income in this tax year

P55 – individuals should only use the P55 form if:

- they've taken a pension flexibility payment that does not use up all of that fund
- they have only taken one payment and do not intend to take a further payment from the same pension scheme this tax year and
- the pension body is unable to make any tax refund

In Pension Newsletters 66 and 67 we made reference to the use of the P50 and P53 forms for reclaiming overpaid tax in certain circumstances. These references should be replaced with the P50Z and P53Z as these forms, along with the P55 are to be used for all repayment claims relating to overpaid tax on flexi-access payments.

8f. GOV.UK Guidance
We will be publishing guidance on GOV.UK for both scheme members and scheme administrators in the new tax year.

You can register for email alerts when additional content relating to pension scheme administration appears on the GOV.UK website at the following link

https://www.gov.uk/business-tax/pension-scheme-administration/email-signup

Annex A - Pension Flexibility and Tax

Background

Changes to pension rules mean that, from 6 April 2015, many people can choose to withdraw money from their pension pot in a variety of new ways.

It is very important that anyone considering making a withdrawal is aware of the tax implications before they make a decision: a choice that's right for some people could lead to a large and unexpected tax bill for others.

The tax on someone's withdrawal will depend on their individual circumstances – for instance, their income, the amount they want to take and the number of withdrawals they plan to take.

This guide sets out the high level details, but those considering making a withdrawal from their pension can arrange a personal appointment to discuss their options and receive impartial guidance at www.pensionwise.gov.uk

What the changes mean

From 6 April 2015, anyone over the age of 55 with a 'defined contribution' pension can choose to withdraw as much money as they like from their pension pot. The previous options for people to access their pension are still there, and so nobody has to change their plans if they don't want to.

There are now 3 main ways for people to access their pension, and they can choose any combination of the three if they like:

1. Lifetime annuity – people can continue to use some or all of their funds to buy an 'annuity', which is guaranteed income payable for the rest of their life. When buying an annuity, people can choose to take a tax-free lump sum of up to 25% of their pension pot at the same time.
2. Flexi-access drawdown – people can continue to put money from their pension funds in to a drawdown fund, and take payments from this fund whenever they choose. From 6 April 2015 there are no limits on how much or how little people can take from their drawdown fund each year. They can also choose to take a lump sum of up to 25% of their pension pot when they first put money in to a drawdown fund.
3. Lump sum payment – from 6 April 2015, people can withdraw money directly from their pension pot without having to buy an annuity or put the money into drawdown, and 25% of this sum will be tax-free.

The new rules only apply to people with a 'defined contribution' pension (otherwise known as a 'money purchase' scheme), which is based on how much money has been paid in. They do not apply to those with a 'defined benefit' pension (otherwise known as a 'final salary' scheme).

How tax is calculated on pension withdrawals

All pension payments are classed as income, and so they are subject to income tax.

The first 25% of pension income is tax-free. The rest is taxed in the same way as any other income – at 20% for basic-rate tax payers, 40% for higher-rate taxpayers or 45% for those on the top rate.

In addition, most UK taxpayers will have a personal allowance on which no tax is due. From 6 April 2015, the personal allowance for the year is £10,600, so anyone with an income below this amount in the 2015 to 2016 tax year will pay no Income Tax.

Here are 2 examples:

Example 1.

A customer already has an annual taxable income of £9,600, and is considering taking an additional £10,000 withdrawal from their pension pot.

No tax is due on their income because, at £9,600, it is £1,000 below their personal allowance of £10,600.

If they choose to take £10,000 from their pension pot, 25% of it (£2,500) would be tax-free and the remaining 75% (£7,500) would be taxable income.

Because their existing income is £1,000 below their personal allowance, a further £1,000 of their withdrawal would be tax free, and so £6,500 of their £10,000 withdrawal would be subject to tax.

If they choose to go ahead with their £10,000 withdrawal from their pension pot, £3,500 of it will be tax-free and they will pay basic rate tax at 20% on the remaining £6,500.

Example 2.

A customer already has an annual taxable income of £50,000, and is considering taking an additional £10,000 withdrawal from their pension pot.

Their personal allowance is £10,600, so they don't pay tax on the first £10,600 of their income.

£39,400 of their income will therefore be taxed (their taxable income of £50,000 minus their personal allowance of £10,600).

Of that £39,400, they will pay basic rate tax at 20% on £31,785 – the amount over their personal allowance (£10,600) but under the higher rate tax band (£31,786).

They will pay higher rate of tax at 40 per cent on £7,615 – the amount over the basic rate tax band.

Any additional taxable income they receive will be taxed at 40%. So, for a £10,000 withdrawal from their pension pot, 25% (£2,500) would be tax-free and the remaining 75% (£7,500) would be taxed at the 40% rate.

For further information on tax rates, go to gov.uk/income-tax-rates

How the tax is paid

The pension provider might hold a current P45 form for the person making the withdrawal, and therefore know the Tax Code to be applied for the year. This could be because the person has just stopped working or is no longer claiming Job Seekers Allowance. Where a current P45 is held, the pension provider can deduct the correct amount of tax from payments as they are made.

However, where a current P45 is not held, the pension provider will have to deduct tax from the payment at a temporary rate (called emergency rate). In most cases, this will mean that the person making the withdrawal may be due a tax refund.

The method for claiming the tax back will depend on the person's circumstances – for instance, on what other income they have in that tax year and whether they have emptied their pension fund. All pension providers will be able to advise their customers on what to do if they need to claim a repayment of tax.

Here are 4 scenarios:

Scenario 1.

If someone chooses to empty their pension fund in a single withdrawal, and their pension provider does not hold a current P45 for them, the provider will deduct tax from the payment at a temporary rate (called emergency rate). They will then send the person a P45 form, which sets out how much tax they have paid in the year.

In most of these cases, the person making the withdrawal will be due a tax refund. Either they can wait until after the end of the tax year, when HMRC will reconcile their account and make any repayment owed as part of its normal PAYE process, or they can claim the tax back in the same year. To do this, they will need to send HMRC their P45, along with one of two forms: a P50Z if they have no other PAYE or pension income (other than the state pension) and a P53Z if they have other employments or pensions.

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If someone chooses to make regular withdrawals across the tax year, and their pension provider does not hold a current P45 for them, the first payment will be taxed at the temporary rate. HMRC will then work with the pension provider to issue a new tax code so that the subsequent withdrawals made over the year will correct the person's tax position.

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If someone chooses to make one withdrawal that does not empty their pension pot – or intends to make a series of unplanned/irregular withdrawals across the year – the pension provider will deduct tax at the temporary rate unless it holds a current P45. In most cases, this will mean that the person making the withdrawal will be due a tax refund.

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Those intending to make a series of withdrawals at irregular times across the tax year should talk to their pension provider. Having applied the temporary rate of tax to the first payment, in some cases the provider might be able to report a zero payment for the months where no withdrawal is made, and work with HMRC to tax subsequent withdrawals and correct the person's tax position.

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