HM Revenue & Customs

Registered Pension Schemes: The Registered Pension Schemes (Transfer of Sums and Assets) (Amendment) Regulations 2014

Who is likely to be affected?

Individuals who had a pension in payment before 6 April 2006 (A-day) and who currently have other pension savings that have not yet been crystallised.

Pension scheme administrators and pension professionals with members or clients likely to be affected.

General description of the Regulations

The Regulations clarify the legislation for calculating the value of a pension that was being paid at A-day, when that pension is measured against the LTA on a benefit crystallisation event (BCE) occurring.

Policy objective

To clarify the existing legislation in order to meet the Government's objective for a system of pensions tax relief that is fair, affordable and sustainable.

Background to the measure

The Finance Act 2004 (FA04) introduced the LTA for tax relieved pension savings. The LTA sets the limit for the amount of tax relieved pension savings that an individual can make during their lifetime, with any pension savings above that limit being liable to the LTA charge.

Although a pension that was being paid before 6 April 2006 does not attract an LTA charge, if a BCE subsequently occurs in relation to the individual, the pension in payment on 6 April 2006 must be valued and measured against the LTA. This establishes how much of the LTA remains available to determine whether the BCE might attract the LTA charge. If no LTA remains available, then the full value of the BCE would be liable to the LTA charge, but the pre A-day pension would not attract an LTA charge.

The Registered Pension Schemes (Transfer of Sums and Assets) Regulations (S.I.2006/499) which came into force on 6 April 2006 set out how sums and assets of pension schemes are to be treated where there has been a transfer between pension schemes, for example when an individual transfers their pension fund to another pension provider or when an employer merges one pension scheme with another.

Detailed proposal

Operative date

These Regulations come into force on 1 July and will have retrospective effect in respect of transfers made on or after 6 April 2014.

Current law

The legislation for the lifetime allowance charge is set out in sections 214 to 226 of FA04.

Schedule 36 to FA04 sets out transitional provisions for pensions already being paid at 6 April 2006 (A-day). Regulations 3 and 4 of S.I. 2006/499 specify circumstances in which following the transfer of sums or assets from one pension scheme to another, the new pension scheme is treated as if it were the original pension scheme for the purposes of FA04.

Proposed revisions

The Regulations make an addition to S.I.2006/499 to clarify the interaction of regulations 3 and 4 with paragraph 20 of Schedule 36 to FA04 where a pension in payment at A-day is transferred prior to a BCE occurring. They clarify that the new pension scheme is treated as if it were the original pension scheme for the purposes of measuring the pre A-day pension against the LTA.

Summary of impacts

<table>
<tr><td rowspan="3">Exchequer impact (£m)</td><td>2014 to 2015</td><td>2015 to 2016</td><td>2016 to 2017</td><td>2017 to 2018</td><td>2018 to 2019</td></tr>
<tr><td>nil</td><td>nil</td><td>nil</td><td>nil</td><td>nil</td></tr>
<tr><td colspan="5">The Regulations are not expected to have any Exchequer impact.</td></tr>
<tr><td>Economic impact</td><td colspan="5">The Regulations are not expected to have any economic impacts.</td></tr>
<tr><td>Impact on individuals and households</td><td colspan="5">The Regulations are not expected to have any impact on individuals and households as they simply clarify the existing legislation.</td></tr>
<tr><td>Equalities impacts</td><td colspan="5">As the Regulations simply clarify the existing legislation they are not expected to have any impact on any protected groups.</td></tr>
<tr><td>Impact on business including civil society organisations</td><td colspan="5">The Regulations are not expected to have any impact on businesses or civil society organisations.

The Regulations clarify the legislation and are not expected to affect the operations of the pensions industry.</td></tr>
<tr><td>Operational impact (£m) (HMRC or other)</td><td colspan="5">It is not anticipated that implementing these Regulations will incur any additional costs for HMRC.</td></tr>
<tr><td>Other impacts</td><td colspan="5">Small and micro-business assessment: The impact on small and micro sized businesses has been considered and the Regulations are expected to have no effect.</td></tr>
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Monitoring and evaluation

The Regulations will be kept under review through communication with affected taxpayer groups.

Further advice

If you have any questions about this change, please contact Samantha Skill on Telephone: 03000 564149 (email: pensions.policy@hmrc.gsi.gov.uk).

Declaration

David Gauke MP, Exchequer 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 Regulations.