

Newsletter

Contents

1. [Pensions flexibility](#)
2. [Individual Protection 2014 \(IP2014\)](#)
3. [Certificates of residence for registered pension schemes](#)
4. [Pension Scams](#)
5. [HMRC Scheme Reconciliation Service.](#)
6. [Annual tax summaries](#)
7. [Annual Allowance Charge \(Amendment\) Order](#)

1. Pensions flexibility

We have recently published two separate tranches of legislation in respect of pensions flexibility.

1. A draft of the Taxation of Pensions Bill for a four week technical consultation.
2. An amendment included in Finance Act 2014 to cover transitional issues following the announcement on flexibility at Budget 2014

Taxation of Pensions Bill

On 6 August we published some of the draft clauses that will be included in the autumn Taxation of Pensions Bill. This Bill will provide the amendments required to the existing tax legislation to allow, from 6 April 2015, individuals who have reached normal pension age access to their money purchase pension savings as they wish.

The changes in the draft clauses that we have published will:

- remove the higher tax charges where people take pensions under money purchase pension savings as they wish;
- increase the flexibility of the income drawdown rules by removing the maximum 'cap' on withdrawal and minimum income requirements for all new drawdown funds from 6 April 2015;

- enable those with ‘capped’ drawdown to convert to a new drawdown fund once arranged with their scheme;
- enable pension schemes to make payments directly from pension savings with 25 per cent taken tax-free (instead of a tax-free lump sum);
- introduce a limited right for scheme trustees and managers to override their scheme’s rules to pay flexible pensions from money purchase pension savings;
- remove restrictions on lifetime annuity payments;
- ensure that individuals do not exploit the new system to gain unintended tax advantages by introducing a reduced annual allowance for money purchase savings where the individual has flexibly accessed their savings; and,
- increase the maximum value and scope of trivial commutation lump sum death benefits.

The draft Bill, along with an Explanatory Note and draft guidance can be found at <https://www.gov.uk/government/publications/draft-legislation-the-taxation-of-pensions-bill>

The Tax Information and Impact Note (TIIN) can be found at <https://www.gov.uk/government/publications/pension-flexibility-2015>

If you have any comments on the draft legislation or these other documents, please send these to pensions.policy@hmrc.gsi.gov.uk by close on 3 September 2014.

Finance Act 2014 and transitional amendments

An amendment was made to the Finance Bill to cover certain transitional issues that were raised following the announcement of the new rules on flexibility by the Government at Budget 14

The changes are mainly concerned with the normal requirement that for a pension commencement lump sum to be paid tax-free it must be paid within certain time-limits and have a pension associated with the lump sum. The changes allow individuals longer to decide how to access that pension and for the pension to be paid from a different scheme to the PCLS. These special rules are temporary and individuals will need to take their pension commencement lump sum before 6 April 2015 and the associated pension before 6 October 2015 for these rules to apply.

The amendment was included as Section 43 and [Schedule 5](#) of the Finance Act 2014 that received Royal Assent on 18 July 2014.

[Guidance](#) in respect of these changes was published on 17 July. Please note, that we have updated example 12 in this guidance to correct the figures in the original example.

2. Individual Protection 2014 (IP2014)

As we explained in PSS Newsletter 63, IP2014 has been operational since 6 April 2014. Members of registered pension schemes can choose to protect any pension savings built up before 6 April 2014 from the Lifetime Allowance (LTA) charge (subject to an overall maximum of £1.5 million), by applying for individual protection 2014.

Applications can be made online from 18 August 2014 using this link <http://www.hmrc.gov.uk/pensionschemes/ip14online.htm> and there is an online tool to help individuals decide whether to apply for IP2014 which can be found at [Lifetime Allowance Checking Tool](#)

Detailed guidance can be accessed via the following link [Pensions: Individual Protection 2014 - Publications - GOV.UK](#)

3. Certificates of residence for registered pension schemes

The process for applying for a certificate of residence for a registered pension scheme changed from 4 August 2014. You can find more information on the changes via the following link

[HM Revenue & Customs: Certificates of residence for registered pension schemes](#)

Requests made outside the new process may be rejected.

4. Pension Scams

HMRC has worked closely with The Pensions Regulator on their revised set of scorpion leaflets highlighting the serious downsides of pension scams. The leaflets provide guidance on what trustees and scheme members can do to reduce the risk of becoming involved in these scams, and the tax impact of releasing pension funds early using these types of arrangements.

[Go to the revised leaflets \(Opens new window\)](#)

5. HMRC Scheme Reconciliation Service

HMRC launched the Scheme Reconciliation Service in April 2014 to help pension scheme administrators and trustees reconcile their records for all non-active members against HMRC records in advance of the ending of contracting-out in April 2016.

You can find more information about this in the following link [HM Revenue & Customs: HMRC Scheme Reconciliation Service](#)

Further information on the new State Pension is available at www.GOV.UK/new-state-pension

6. Annual tax summaries

From October 2014, HMRC will send around 24 million taxpayers a new personal tax summary.

The tax summary will show the individual how their income tax and National Insurance contributions (NICs) have been calculated for the previous tax year and give an indication of how their taxes have been spent by Government.

The tax summary is for information only. It will clearly tell individuals who receive one that they don't need to take any further action.

Around 16 million tax summaries will be delivered by post to PAYE taxpayers between October 2014 and December 2014. Individuals in Self Assessment will get their tax summary online.

The information in the tax summary will relate to the tax year ended 5 April 2014. It will also show any NICs paid by the employer to give individuals a clearer indication of the total NICs paid as a result of their employment.

If any of your pension scheme members get a tax summary and they contact you for more information please advise them to go to www.gov.uk/annual-tax-summary

7. Annual Allowance Charge (Amendment) Order

HMRC has published a draft Statutory Instrument for external technical consultation together with draft guidance and draft Explanatory Memorandum.

The draft legislation makes a number of changes to help ensure that the annual allowance rules work as intended. You can find more information about this consultation at the following link

[Draft legislation - The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 20XX - Publications - GOV.UK](#)

Comments on the drafts should be sent by email to [Pensions Policy](#) by 27 August 2014.