

**EXPLANATORY MEMORANDUM TO**  
**THE REGISTERED PENSION SCHEME (PROVISION OF INFORMATION)**  
**(AMENDMENT) REGULATIONS 2016**

**2016 NO. [XXXX]**

**1. Introduction**

This Explanatory Memorandum has been prepared by Her Majesty's Revenue and Customs ("HMRC") and is laid before the House of Commons by Command of Her Majesty.

**2. Purpose of the instrument**

- 2.1 This instrument amends the Registered Pension Schemes (Provision of Information) Regulations 2006 (S.I. 2006/567) ("the 2006 Regulations"). It changes information requirements for scheme administrators of a registered pension scheme in consequence of the introduction of a tapered reduction in the amount of the annual allowance for individuals with income of over £150,000 from 6 April 2016.

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

- 3.1 None.
- 3.2 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 Tax relief is provided on pension savings in order that those savings can be used to provide benefits later in life for the member and their beneficiaries. Part 4 of Finance Act 2004 (FA04) sets out the regime for the registration of pension schemes and the system of tax reliefs that apply to them. The 2006 Regulations are made under powers contained in Chapter 7 of Part 4 and set out in detail the information that must be provided by prescribed persons at set events.
- 4.2 Regulation 3 sets out the information that a scheme administrator must provide to HMRC on the annual Event Report should one or more of the prescribed events set out in regulation 3 occur. Regulation 14A sets out the information that a scheme administrator must provide to a scheme member in relation to the annual allowance.
- 4.3 Changes to FA04 were made by Schedule 4 to FA (2)15, to introduce a taper so that the normal annual allowance is reduced by £1 for every £2 of income over £150,000, with the maximum reduction being to £10,000 for those with incomes of £210,000 and above.

- 4.4 To assist the application of the taper Schedule 4 FA (2)15 aligns the period over which an individual's pension savings are measured against the annual allowance, to the tax year from 6 April 2016, with transitional rules for 2015-16.

## **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 Government provides tax relief on pensions savings to encourage individuals to save for their retirement. Under FA 2004, there are no limits on the amount that an individual can save into a registered pension scheme each year, but there is a limit on the amount of tax relieved pension savings that can be made each year. This is the annual allowance. Where pension savings are made in excess of the annual allowance plus any carry forward of unused annual allowance from the previous three years available to the individual, a tax charge is applied to the excess to recover the tax relief given on the excess savings.
- 7.2 In order to restrict the cost of pensions tax relief for higher earners the annual allowance is to be reduced from 6 April 2016 by a tapered reduction for individuals with income (including the value of any pension contributions) of over £150,000 and who have an income (excluding pension contributions) in excess of £110,000. This instrument introduces requirements on the scheme administrator to provide information to a scheme member where the member's pensionable earnings exceed £110,000 in the tax year, so the member has the information they need to determine whether or not they may be subject to a tapered annual allowance for 2016-17 onwards.
- 7.3 A member's pension savings for a tax year are tested against the annual allowance over a 12 month period but this does not necessarily match the tax year. The period is known as the pension input period. In order to facilitate the application of the taper, the pension input period will be aligned with the tax year from 6 April 2016 with transitional rules for 2015-16. Aligning pension input periods with the tax year will make it easier for individuals to work out whether their pension savings have exceeded the annual allowance. This instrument clarifies what scheme administrator is required to provide information to a scheme member in relation to 2015-16 so the member has the information they need to determine whether or not they may be liable to an annual allowance charge for that year.

### *Consolidation*

- 7.4 There are currently no plans to consolidate the 2006 Regulations.

## **8. Consultation outcome**

- 8.1 [To be completed once consultation closed]

## **9. Guidance**

- 9.1 The HMRC Pensions Tax Manual will be updated as soon as possible to reflect these changes.

## **10. Impact**

- 10.1 The impact on business, charities or voluntary bodies is not expected to be significant
- 10.2 The impact on the public sector is not expected to be significant.
- 10.3 A Tax Information and Impact Note was published on 8 July 2015 alongside the Finance Bill (No 2) 2015 as part of the Summer Budget 2015 tax related documents and is available at <https://www.gov.uk/government/collections/budget-july-2015-hm-revenue-and-customs>. It remains an accurate summary of the impacts that apply to this instrument.

## **11. Regulating small business**

- 11.1 The legislation does not apply to activities that are undertaken by small businesses.

## **12. Monitoring & review**

- 12.1 The policy will be monitored through information collected from HMRC databases, tax returns, receipts and other statistics.

## **13. Contact**

The Pensions Policy Team at the HMRC email: [pensions.policy@hmrc.gsi.gov.uk](mailto:pensions.policy@hmrc.gsi.gov.uk) can answer any queries regarding the instrument.