

# Pensions tax

What deadlines might you need to consider for the annual allowance?

## Actions for trustees and sponsors

Many more individuals are likely to find they have been hit by the 2016/17 Annual Allowance in the coming months. Individuals can ask their scheme to pay the tax charge on their behalf ("Scheme Pays"), but do you know what deadlines are coming up?

September 2017



6 October 2017



## Pension Savings Statement Deadline

**DID YOU KNOW?** Statements need to be issued automatically only to those with pension savings in the year above £40,000 in a single scheme. HMRC expect those with a lower Annual Allowance (due to the taper) or in more than one scheme to request Pension Savings Statements individually.

**ACTION** Remind high earners they need to obtain statements. Co-ordinate production to reduce costs. Potentially issue statements pro-actively to those that are likely to need them.

31 December 2017



## Voluntary Scheme Pays Election Deadline

**DID YOU KNOW?** Individuals only have a legal right to use "Scheme Pays" ("Mandatory Scheme Pays") in limited circumstances - Only on the tax charge for pension savings made in the year in that scheme over £40,000 and only if their tax charge across all schemes exceeds £2,000 - Not much use for a higher earner caught by the tapered Annual Allowance who might have to meet the first £13,500 of the charge. Many individuals may ask schemes to allow "Scheme Pays" on a voluntary basis ("Voluntary Scheme Pays"), but for the individual to avoid late payment and interest charges, the scheme might want to know they are using "Scheme Pays" by 31 December 2017.

**ACTION** Make sure you are ready to respond to requests. Check the mechanism for allowing "Voluntary Scheme Pays" under your rules. Review your policy for offering "Scheme Pays" and converting the tax paid into a benefit deduction. Communicate deadlines clearly to members.

31 January 2018



## Tax Return and Payment Deadlines

**DID YOU KNOW?** Schemes allowing "Voluntary Scheme Pays" will need to include details in their Q4 2017 "Accounting For Tax" return and submit and pay that return by 31 January 2018; that's a couple of weeks earlier than normal. Otherwise members may be hit by late payment and interest penalties. Individuals that leave working out if they have an Annual Allowance tax charge until the self-assessment deadline may well be too late to use "Scheme Pays".

**ACTION** Remind members that they need to look at pensions tax well before the 31 January deadline and ensure the scheme Q4 2017 AFT return is submitted and paid by 31 January 2018.

31 July 2018



## Mandatory Scheme Pays Election Deadline

**DID YOU KNOW?** In the rare circumstances that fall into “Mandatory Scheme Pays” - see above - the deadline for member to tell the scheme they are using this option is 31 July 2018. However, this is in a way a false deadline - the member needs to have told HMRC how much tax they will be asking the scheme to pay by 31 January 2018, in their self-assessment tax return.

**ACTION** Next year even more individuals are likely to be caught, so consider issuing forward looking information in annual benefit statements.



## Don't forget another sting in the tail

**DID YOU KNOW?** If a member is retiring and all benefits are being put into payment, the election for “Scheme Pays” needs to be made before they retire from the scheme under the statutory mechanism for “Mandatory Scheme Pays”. There is more flexibility if the Trustees can use the voluntary route.

*All this shows the implementation of the requirement for individuals to report and arrange payment of their Annual Allowance tax charge for 2016/17 by 31 January 2018 (assuming they submit their tax return online) is far from straight forward.*

## Want to find out more?

If you would like further information, please contact your usual LCP adviser or one of the people below.



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