

EXPLANATORY MEMORANDUM TO
THE REGISTERED PENSION SCHEMES (AUTHORISED PAYMENTS)
(AMENDMENT) REGULATIONS 2017

2017 No. 397

1. Introduction

1.1 This explanatory memorandum has been prepared by Her Majesty's Revenue & 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 (Authorised Payments) Regulations 2009 (S.I. 2009/1171) (the "2009 Regulations").

2.2 It introduces a new authorised payment and sets out the conditions that must be met in order for the payment to be authorised.

2.3 The new authorised payment will be known as the pension advice allowance payment. This payment may be made by registered pension schemes directly to a regulated financial advisor, for either the member of the scheme or a beneficiary of such a member. It allows the individual to use up to £500 from the pension pot to pay towards the cost of receiving retirement financial advice and/or the cost of implementing such advice.

2.4 They are able to use this facility no more than once in any one tax year, and no more than three times in total.

3. Matters of special interest to Parliament

Matters of special interest to the Select Committee on Statutory Instruments

3.1 None.

Other matters of interest to the House of Commons

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 This instrument amends the 2009 Regulations and introduces a new authorised payment

4.2 Under section 160(1) of the Finance Act 2004 ("FA 2004"), the only payments a registered pension scheme is authorised to make to a member or beneficiary are those payments specified in section 164 FA 2004, that is, authorised member payments.

4.3 Section 164(1)(f) confers powers on HMRC to prescribe by Regulations payments that will be authorised member payments.

4.4 This instrument sets out the conditions that must be met in order for the Pension Advice Allowance payment to be an authorised payment.

4.5 This instrument will have effect from 6 April 2017.

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 Pension Advice Allowance was recommended by the Financial Advice Market Review (FAMR), which found that high quality financial advice can have a significant impact on retirement income if received early.

7.2 The FAMR recognised that high quality financial advice in the UK is not always accessible or affordable for individuals with lower levels of wealth.

7.3 The Pension Advice Allowance payment will allow individuals to access £500 tax free at any age, to redeem against the cost of retirement financial advice. This is intended to make retirement financial advice more affordable, and encourage individuals to consider taking advice to plan for their retirement.

Consolidation

7.4 The Regulations will amend the 2009 Regulations. They will not be consolidated.

8. Consultation outcome

8.1 HM Treasury published a 8 week policy consultation on 30 August 2016. Following this consultation, and having taken into account the consultation responses, the instrument was published in draft for a three week technical consultation on 7 February 2017. No objections or substantive issues were raised in the responses. The final version of the instrument has taken into account the response on the construction of the regulations.

9. Guidance

9.1 Once the regulations are in force, guidance on this instrument will be included in the next available update of the HMRC Pensions Tax Manual.

10. Impact

10.1 The impact on business is expected to be negligible. Minor one off costs in relation to the familiarisation with the new rules as well as one off administration costs are expected. The administration costs will not be significant as providers already have systems in place to administer payments. This payment will be part of that existing system. No impact on charities or voluntary bodies is foreseen.

10.2 There is no impact on the public sector.

10.3 A Tax Information and Impact Note covering this instrument was published on 7 February 2017 and is available on the website at <https://www.gov.uk/government/publications/pensions-tax-pensions-advice-allowance/pensions-tax-pensions-advice-allowance>. It remains an accurate summary of the impacts that apply to this instrument.

11. Regulating small business

- 11.1 The legislation applies to activities that are undertaken by small businesses.
- 11.2 There is no special provision to minimise the impact of the requirements on small businesses (employing up to 50 people).
- 11.3 The basis for the final decision on making no special provision to assist small businesses was that it would not be appropriate for the policy to apply differently according to the size of the firm.

12. Monitoring & review

- 12.1 The measure will be monitored through communication with taxpayer groups including, for example, industry representatives on the Pension Forum.

13. Contact

- 13.1 Karen Bishop at HMRC, telephone: 03000 512336 or email: pensions.policy@hmrc.gsi.gov.uk can answer any queries regarding the instrument.