

## MANDATORY ELECTRONIC PENSION SCHEME REPORTING FROM 16 OCTOBER 2007

HM Revenue & Customs (HMRC) has recently announced that, with effect from 16th October, it will become mandatory for Scheme Administrators of 'Trust-Based' pension schemes to file information with HMRC electronically.

The scheme administration responsibilities, which were in the main previously carried out by the pension providers, have now been passed onto the Trustees, who are typically the director(s) of the company's running these schemes.

Schemes affected by this include Executive Pension Plans (EPPs), Small Self Administered Schemes (SSASs) and Occupational Money Purchase schemes.

Scheme Administrators now have a responsibility for fulfilling a number of different functions including:

- Registering the pension scheme with HMRC.
- Operating tax relief on contributions under the relief source system.
- Reporting events relating to the scheme (there are twenty different reportable events).
- Making returns of information to HMRC.
- Providing information to scheme members regarding lifetime allowance, benefits and transfers.
- Paying certain tax charges.

Failure to meet these requirements can result in significant financial penalties.

Now there is a single tax regime for all pension schemes the advantages that previously applied to Trust-Based schemes (e.g. the ability to pay large contributions, greater tax-free cash at retirement etc) no longer apply. Consequently, we are seeing a large switching to 'Contract-Based' arrangements, by which we mean Personal Pensions and Self-Invested Personal Pensions.

### TAX RELIEF ON COMPANY PENSION CONTRIBUTIONS

There has been a lot of uncertainty about the granting of tax relief on employer pension contributions for controlling directors since the new pension legislation was introduced last year, especially where minimal salary is taken.

HMRC has published some updated guidance and now say that controlling directors are often the driving force behind the company and where a controlling director is the person whose work generates the company's income then the level of the remuneration package is a commercial decision and it is unlikely that there will be a non-business purpose for the level of the remuneration package. HMRC say that remuneration package means the combined salary, wages, benefits and pension contributions but not dividends.

This updated guidance gives some welcome reassurance that local inspectors are likely to grant tax relief on most pension contributions for controlling directors, provided these can be shown to be commercially reasonable. Even if the whole payment is not allowed as a deduction, the implications are not particularly severe: the non-relievable part of the payment remains in the tax-advantaged pension scheme and does not trigger any 'benefit in kind' or other

tax charge on the employer or the member. However, there is no scope for the non-relievable part of the employer's payment to be returned, as there is with personal contributions.

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#### Bournemouth Office

Helting House  
35 Richmond Hill  
Bournemouth BH2 6HT  
t : 01202 446400  
e : simon.eveleigh@iimia.co.uk

#### Edinburgh Office

29 Rutland Square  
Edinburgh EH1 2BW  
t : +44 (0) 131 222 9400  
e : david.parfett@iimia.co.uk

#### Exeter Office

23 Cathedral Yard  
Exeter EX1 1HB  
t : 01392 475900  
e : ian.scott@iimia.co.uk

#### London Office

63 Queen Victoria Street  
London EC4N 4UA  
t : +44 (0) 20 7653 6300  
e : david.parfett@iimia.co.uk

#### Northampton Office

16 Queensbridge  
The Lakes  
Old Bedford Road  
Northampton NN4 7BF  
t : 01604 615840  
e : karen.mccaffrey@iimia.co.uk

#### Plymouth Office

164 Armada Way  
Plymouth PL1 1LB  
t : 01752 660282  
e : martin.glover@iimia.co.uk

www.iimia.co.uk

