



Pension & Product Taxes

Agenda

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- Pensions
 - Spring Budget 2023 Changes
 - Digitisation of Relief at Source
 - ISA & CTF
 - Qualifying & Non-qualifying policies
 - Discounted Gift Trusts
 - Automatic Exchange of Information
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Pensions – Spring Budget 2023 Changes

Allowance limits increase

	2022/23	2023/24
Annual Allowance	£40,000	£60,000
Money Purchase Annual Allowance	£4,000	£10,000
Adjusted income level	£240,000	£260,000
Minimum tapered annual allowance	£4,000	£10,000

Pensions – Spring Budget 2023 Changes

Lifetime allowance (LTA) to be abolished from 6 April 2024

No LTA charges apply from 6 April 2023

- Removal of the 25% & 55% lifetime allowance charges
- Replaced with income tax at the recipient's marginal rate for:-
 - Serious ill-health lump sum
 - Lifetime allowance excess lump sum
 - Uncrystallised funds lump sum death benefit
 - Defined benefits lump sum death benefit

Treated as pension income and taxed under normal PAYE rules

Will be included as income in any tapered annual allowance calculation

Pensions – Spring Budget 2023 Changes

Lifetime allowance guidance newsletter March 2023 (published 27 March 2023) details the PAYE and RTI reporting requirements. CWG2 will be updated.

- Emergency tax code to be used (1257L) unless recipient provides a P45 for the current tax year
- All lump sums reported as one-off and require a P45
- Use existing RTI data items as set out in the newsletter

The reporting changes should be made no later than 30th September. Once your systems have been updated, you must report and pay all the tax deducted on these payments from 6 April 2023 onwards.

Repayment Claim Form P53Z should be used to claim any refund of overpaid tax.

Pensions – Spring Budget 2023 Changes

Death Lump Sums from 6 April 2023

- Uncrystallised funds lump sum death benefit
- Defined benefits lump sum death benefit

Originally HMRC announced that schemes would be required to contact the Legal Personal Representatives (LPRs) of the deceased member to find out how much LTA the member had in order to deduct marginal rate tax on any excess.

However following concerns raised by industry, this was rescinded and for 2023/24, schemes can continue to use the existing process for taxation of these lump sums. HMRC will use information provided by the LPRs to raise marginal rate taxation assessments on the applicable portion of these payments.

A longer term position will be developed as part of the full LTA abolition from 6 April 2024.

Pensions – Spring Budget 2023 Changes

Pension Commencement Lump Sum (PCLS) 2023/24

- All existing rules for calculating PCLS are unchanged
- Maximum PCLS £268,275
- Standard LTA is £1,073,100
- Members with a protected right to higher PCLS on 5 April 2023 continue to this right

Pensions – Spring Budget 2023 Changes

Protections

Members with valid enhanced protection or any valid fixed protections

- Accrue new benefits, join new arrangements or transfer their rights without losing this protection
- Retain their entitlement to higher PCLS

Members with enhanced protection with lump sum protection

- Retain their entitlement to higher PCLS
- Value of the lump sum will be limited based on the value of their pension at 5 April 2023

Pensions – Spring Budget 2023 Changes

- LTA Framework remains unchanged for 2023/24
- Information & reporting requirements remain
 - Event Reporting
 - HMRC do not expect event 6* to be reported
 - Accounting for Tax
 - HMRC expect lifetime allowance charges will not appear in Q2 2023 onwards returns
 - No requirement for a nil return

*Reportable event 6: BCEs and enhanced lifetime allowance, enhanced protection, fixed protection, fixed protection 2014, fixed protection 2016, individual protection 2014 or individual protection 2016

Pensions – Spring Budget 2023 Changes

Abolition of LTA from 6 April 2024

- PCLS to be frozen at £268,275
- HMRC are working through the detail
- LTA WG has been set up will collaborate with industry to work through the detail and the impact on legislation and processes.
- Consultation on draft legislation expected later this year
- Expectation that benefits crystallisation event tracking will be replaced with tracking of pension commencement lump sum
- Further updates will be provided through newsletters. Gov.uk will be updated once the full changes have been implemented.

Pensions – Digitisation of Relief at Source

- HMRC announced in October 2021 its aim to have a fully digital service to replace the current paper service by the end of 2024/25 tax year
- It set up a collaboration forum to work with industry to co-design the service and test the new processes.
- Initially a phased delivery was planned, with the interim claims process due by the end of 2022/23. Due to the complex nature of the interim process, the focus has changed to deliver the full service by April 2025.
- The programme is currently looking at data quality and unmatched records
- Draft legislation and consultation published Summer 2023

Pensions – Digitisation of Relief at Source

What to expect:

- All claims will be based on individual level data to allow HMRC to accurately calculate the tax relief due
- Streamlined reporting & quicker payments
- Removal of the need for some individual declarations – HMRC will establish eligibility and the amount of relief
- A different approach for handling overpayment of tax relief

What to think about:

- Unmatched records
- Prefunding RAS

Questions can be emailed to HMRC: pensionsprogramme@hmrc.gov.uk

ISA & Child Trust Fund

- 2023/24 limits remain unchanged from 2022/23
 - ISA £20,000 JISA £9,000 CTF £9,000
- No changes to forms since revised JISA Stats Returns (JISA14a)
- Following technical consultation in late 2022, new regulations came into effect from 6 April 2023 making a number of changes, including
 - Extend the dormant asset scheme to include stocks & shares ISAs
 - Remove the requirement to provide certain personal information in CTF annual statements
 - Accommodate the introduction of overseas funds regime
 - Accommodate changes in Northern Ireland regarding terminal illness for JISA & CTF. Withdrawals will be permitted where the death of a child is expected within 12 months -rather than 6.

Qualifying & Non-qualifying Policies

HMRC have been making updates to the Insurance Policyholder Taxation Manual over the last year

- IPTM3210 HMRC Reporting – excel spreadsheet now available
- Top slicing relief
- Calculation examples including transaction-related events
- Purchased Life Annuities exemption procedure
- Friendly Society Exempt Policies
- Significant variations, substitutions & options

Product Taxes

- Discounted Gift Trusts
 - HMRC published a briefing on 17 April 2023 advising that they will increase the interest rate applicable to valuing the retained rights to 6.75% with effect from 1 May 2023.
 - This change applies to valuation of retained rights at the inception of a trust and at any ten-year anniversary which falls on or after that date
- Automatic Exchange of Information
 - The reportable jurisdictions were updated in April 2023. Montenegro and Thailand were added while Kenya, Uganda and Moldova were removed.



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