AMPS ASSOCIATION OF MEMBER-DIRECTED PENSION SCHEMES

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CHAIRMAN'S UPDATE

I am delighted to have the opportunity to serve as your Chairman for the next 12 months. Having seen the time, effort and enthusiasm Andrew put into the role over the previous two years he will be a hard act to follow and the thought of taking over the role all the more daunting. However, with the full support of the Committee I am sure AMPS will continue to develop and play a greater role in not only representing our industry, but driving it forward in these ever changing and challenging times.

In addition to Andrew, three other members of the Committee stepped down this year, Renata Chester, Martin Cadman and Tony Moore. I would like to personally thank them all for their hard work over the years. The new members to the Committee are Francis Moore, Angela Varley, Stephan Wood and Zoe Smith. I am sure with their backgrounds and experience they will all make a valuable contribution to AMPS.

Zachary Gallagher has agreed to take on the role of Honorary Secretary. Geoff Buck and Elaine Turtle continue in the roles of Membership Secretary and Honorary Treasurer respectively.

The Committee have a number of key objectives to date. The first is to develop AMPSonline and you will see a number of improvements over the coming months. We hope this will make the site easier to use and encourage more members to take an active part in forum discussions.

Of a more pressing nature is the news that a number of banks are refusing to open new SSAS bank accounts for SSAS only practitioners, and in some cases asking SSAS practitioners to transfer existing accounts. This appears to be an unforeseen outcome of pension liberation. The Committee is currently in discussions with the Banks involved and though at an early stage there appears to be a desire on behalf of the banks to review their policy.

The Committee would like to be more pro-active and try and have a greater influence in the decisions made by the FCA & HMRC. As I am sure you will agree this is no easy task but over the coming months we will be looking to develop our strategy and relationship with not only the FCA and HMRC but also with other representative bodies such as the Association of British Insurers.

Finally, it is important that we get input from our members. So if you have any issues or observation you would like to raise with the Committee then please feel free to contact me or any other committee member. In particular with the FCA's response to capital adequacy due in November we would be interested in what impact their conclusions will have on your business.

Neil MacGillivray
Chairman

AMPS CONFERENCE & WORKSHOPS 2013

AMPS held a “Technical Workshop” on 3 October 2013, at the London Paddington Hilton.

The Technical Workshop is an annual event, which normally takes place much earlier in the year. The 2013 Workshop was intentionally delayed, due to the Committee’s attention having been dominated, during the first few months of the year, by the Financial Conduct Authority’s proposals for a new measure of “capital adequacy”, for SIPP Operators.

The Technical Workshop is a complementary event to the Compliance Seminar, which AMPS also runs, annually. Broadly, the former tends to concentrate on matters pertaining to HM Revenue & Customs (i.e. tax law and its effects for member-directed pension schemes), whilst the latter is dominated by considerations arising from FCA regulation of SIPPs. In practice, there is often a good deal of crossover, between the two events.

From the delegate feedback arising from the 2013 Technical Workshop, the Committee is delighted to have presented another very successful event at which there was in excess of 80 attendees. The Committee is conscious, though, that the value of these events is not just in the holding thereof; it is also in the evaluation of what was discussed on the day, pursuant to a better understanding of what the AMPS membership would like the Committee to undertake on its behalf.

The Committee will be preparing a follow-up document, on the Technical Workshop, during the period that remains before the Compliance Seminar, to be held on Thursday 28 November.

There are still places remaining for the Compliance Seminar and you can book your place at:
https://www.regonline.co.uk/AMPScompliance2013

AN UPDATE FROM THE HMRC SUB-COMMITTEE

The newly formed committee met on 16th October and members for the HMRC sub-committee were agreed. These are Zachary Gallagher, Robert Graves, Neil MacGillivray and Angela Varley.

Change to HMRC Registration Process

To help combat pension liberation, HMRC announced on 21 October 2013 a change in the scheme registration process.

When submitting a new pension scheme application via the HMRC Online Services, HMRC will initially confirm that the submission has been successfully received – the scheme will not be registered at this point, any contributions received will not qualify for tax relief and any transfers received from other registered pension schemes will be an unauthorised payment.

HMRC will review the application (and request further information or raise questions if required) before writing to confirm

a. that the scheme can be registered (and the registration date, which will also be the date that the scheme qualifies for tax relief) or;
b. that the scheme cannot be registered (and the reasons for their decision. (There is a right of appeal.)

Whilst this is a partial reversion to a process that operated pre April 2006, it should be recognised that it is regressive in that taxrelievable contributions cannot be made until the scheme has been registered. This may be an issue for SSASs or other individually registered schemes that are being established with the intent of making a contribution prior to the imminent end of a tax period.

However, it is hoped that this new process will be effective in terms of creating another barrier to the misuse of pension schemes.

Change to HMRC Process – status requests

Also on the 21st October, HMRC announced a change in their process concerning requests from administrators for confirmation of the registration status of a potential receiving scheme.

Until recently the administrator of the ceding scheme has had to provide signed consent from the prospective receiving scheme to enable HMRC to release information concerning their registration status.

HMRC will now respond to administrators requests without this consent; but HMRC will only provide confirmation when the receiving scheme is registered and the information held by HMRC does not indicate

- a significant risk that the scheme was set up to facilitate pension liberation, or
- a significant risk that the scheme is being used to facilitate pension liberation

Otherwise, the HMRC response will set out the conditions by which HMRC will grant registration status and explain that one or both of the above conditions have not been satisfied.

It is hoped that this change will make it easier for scheme administrators to refuse to allow transfers to a scheme suspected of pension liberation.

Scottish Rate of Income Tax

Following devolved government in Scotland, a new tax system will be in place from 2016. Whilst there may be no change from the current tax rates and allowances for the rest of the UK, the legislation does allow Scotland to set its own tax rates.

The AMPS committee has been party to ongoing discussions concerning the application of tax relief and the reporting of tax relief back to HMRC. A decision has now been made after industry consultation as to how the process will change although much of the finer detail has still to be decided. As this information becomes available we will of course continue to communicate this to our members.

Between 2016 and 2018 interim tax relief claims will be processed as now. Any tax relief adjustment arising through being Scottish resident will be resolved directly between the individual and HMRC. However from April 2018 providers will need to apply basic rate relief for non Scottish contribution payers and Scottish rate of tax for Scottish payers.

In order for HMRC to have a process in place to let operators know that they have a Scottish tax payer, HMRC have consulted with the pensions industry, and accordingly AMPS consulted its members, on bringing forward the deadline for the end of year tax relief submission RPSCOM100(Z) from 5th October following the end of the relevant tax year to 31st May following the end of the tax year. We await feedback from this consultation.

Compensation payments

AMPS, in conjunction with the ABI have been seeking further clarifications of HMRC's position regarding the treatment of compensation payments relating to pensions and has had meetings with HMRC to this end.

This follows on from the position outlined in the document 'AMPS Pension Compensation Document July 2012' which is available on AMPSOnline.

Although that document highlights a number of areas of concern it has become apparent that a key industry concern is the HMRC position of regarding the making good of an investment loss through administrative error as being a tax relievable contribution. For example, a SIPP client requests the purchase of some investment units with £10,000 in the SIPP cash account. Had the request been actioned expeditiously then 10,000 units would have been purchased but due to administrative error the request was not actioned until sometime later at which point, due to a movement in the unit price the £10,000 only purchased 9,000 units. If the administrator makes good the error by purchasing the shortfall of 1,000 units to put the pension fund in to the position it should have been in then HMRC's position, as outlined in the document of 12th July 2012, is that the monetary amount used to purchase the shortfall in units would be a tax relievable contribution. To avoid this, the compensation payment could be paid direct to the member and this would not constitute an unauthorised payment.

The joint AMPS/ABI meetings with HMRC have sought a reinterpretation of this position due to, amongst a host of factors, the counter intuitiveness of this position, the cost to Treasury of granting further tax relief on pension fund money that has already received tax relief, the possibility of breaking a member's annual allowance and enhanced or fixed protection and the administrative impact of adhering to this even where only small adjustments are made to make good the fund. Despite our efforts to date, the current position is that HMRC is not entertaining any reinterpretation, insisting that their interpretation is correct and that if an alternative position is required then this will require a change to legislation. In order for legislation to be changed they would require substantive evidence based data to support spending legal, ministerial and parliamentary resources on making an amendment.

AMPS and ABI are currently reviewing our next steps in this ongoing saga.

FCA SUB-COMMITTEE UPDATE

The newly formed committee met on 16th October and new members for the FCA sub-committee were agreed. These are Geoff Buck, David Phillips, Zoe Smith and Stephan Wood.

The sub-committee had its first meeting with the FCA on Tuesday 29th October and hopes to report to the membership on these discussions shortly.

Work is continuing on the Compliance Seminar which takes place on 28th November at the Paddington Hilton. We are pleased to report that Nick Poyntz-Wright, Director at the FCA in the Long Term Savings & Pensions division, has agreed to speak. If you have not booked your place you can do this at https://www.regonline.co.uk/AMPScompliance2013

Finally, should you wish to aid the FCA sub-committee in discussing regulatory issues then do let us know. Please email geoff.buck@killik.com

One thing that would appear to have been an outcome of this consultation is HMRC's change in policy as regards taxation of rebates and trail commission paid to clients. Though this will not impact on SIPP & SSAS it will on client portfolio accounts on platforms. Further details can be found in HM Revenue & Customs Brief 04/13. http://www.hmrc.gov.uk/briefs/income-tax/brief0413.htm

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