

LGPC BULLETIN NO. 42 – MARCH 2006

REPORTING OF PENSION SCHEME CHARGEABLE EVENTS

Purpose of the Bulletin

1. This Bulletin has been issued to remind administering authorities that they are currently responsible for:
 - completing and returning form 1(SF) to HM Revenue and Customs in order to report chargeable events under Regulation 10 of the Retirement Benefits Schemes (Information Powers) Regulations 1995 [SI 1995/3103], and for
 - paying over the relevant tax deducted from trivial and serious ill health commutation lump sum payments and from refunds of contributions (except refunds of excess AVCs).
2. HM Revenue and Customs has recently written to the LGPC to point out that some Funds have failed to comply with their responsibilities under the above regulations and have asked that the LGPC brings Pensions Update No. 157 to the attention of administering authorities.
3. Please could those Funds that have not taken the appropriate action do so as promptly as possible after receipt of this Bulletin.
4. Copies of the letter from HMRC and Pensions Update No. 157 are attached.

Terry Edwards
Assistant Director (Pensions)
27 March 2006

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Website

Visit the EO's website at: www.lg-employers.gov.uk/pensions/index.html

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Date 13 March 2006
Our Ref Update 157/TW/Compliance
Your Ref

Dear Sir/Madam

Reporting of Pension Scheme Chargeable Events

It has recently come to our attention that some pension schemes have failed to report scheme Chargeable Events on the form 1(SF). Some of these failures go back for many years and large amounts of tax are outstanding. Accordingly, this office issued Pensions Update 157 on 12 December 2005, advising Scheme Administrators of revised procedures for the years up to and including 5 April 2005. I attach a copy for your information.

Recently enquiries with several Local Government schemes have revealed such failures. And in many cases the Scheme Administrators were simply unaware of the Update. In the circumstances I would be very grateful if you would notify all the relevant Local Government Authorities of Update 157. The Update, which includes contact details, is available on the HM Revenue & Customs website at www.hmrc.gov.uk/pensionschemes/updates.htm

If you wish to discuss any of the above please call my colleagues Mark Rose (Tel 0115 9741654) or Tim Williams (Tel 0115 9741705) who would be happy to provide further advice.

Yours faithfully

Jayne Banner
Deputy Director

Direct line 0115 974 1599

Information is available in large print, audio tape and Braille formats.
Type Talk service prefix number – 18001

Deputy Director: Jayne Banner



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POSITIVE ABOUT
DISABLED PEOPLE

12th December
2005

Please pass a copy of this Update to everyone in your organisation who needs to see it. The category of schemes covered by this Update is shown below. Italicised terms are explained in the glossary at the end.

Category:	Occupational Schemes.
Action:	Results of recent HMRC audits show that there have been failures to report and pay tax from chargeable events on form 1(SF). Audit & Pension Scheme Services (APSS) have introduced a quick and easy method for scheme administrators to bring their affairs up to date by reporting and paying for 2004-05 and earlier years where chargeable event submissions have yet to be made.
Current Position:	Scheme administrators are responsible for submitting the form 1(SF) to the scheme's Tax office no later than 30 days after the end of the tax year in which the chargeable event payment is made.
Summary:	The process detailed in this Update allow scheme administrators to bring up to date all outstanding issues surrounding form 1(SF) for years 2004-05 and earlier by submission direct to APSS.
Enquiries:	0115 - 974 1665 – Luke Saxton luke.saxton@hmrc.gsi.gov.uk 0115 - 974 1447 – Jon Burnell jon.burnell@hmrc.gsi.gov.uk

U157: Reporting Outstanding Tax from Scheme Chargeable Events on Form 1(SF).

INTRODUCTION

1. This Update provides details of how *scheme administrators* should report outstanding and/or late scheme chargeable events due under sections 598, 599 & 599A respectively of the *Taxes Act*.

BACKGROUND

2. The 'chargeable events' which lead to the need to complete a return form 1(SF) are:

- Contributions repaid to employees or former employees during their lifetime except surplus voluntary contributions (short service refunds),
- Payments to an employee or their personal representatives out of surplus funds arising from

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employees voluntary contributions,

- Lump sums paid in commutation of entire pension in the following special circumstances:
 - a) on the grounds of triviality,
 - b) in exceptional circumstances of serious ill-health.
- Payments to an employer out of funds held for the purpose of the scheme.

3 *Scheme Administrators* are currently responsible for reporting Chargeable Events under Regulation 10 Retirement Benefits Schemes (Information Powers) Regulations 1995 (SI No. 3103) on form 1(SF). HM Revenue & Customs website www.hmrc.gov.uk/pensionsschemes/fag1sf.shtml has the form available. The *scheme administrator* should have sent this form, if it's due, to the scheme's Tax office no later than 30 days after the end of the tax year in which payment is made.

4. It's become apparent from recent audits that some *scheme administrators* have experienced difficulties and have not submitted the required report. Therefore, we are introducing a new process to make the submission of these outstanding and/or late reports as simple as possible.

5. As well as ensuring tax is correctly paid over to the Exchequer, we want to bring these matters up to date to ensure a smooth transition to the new arrangements under Simplification.

NEW PROCESS

6. Audits are currently being conducted to ensure *scheme administrators* have submitted the relevant reports for previous years, and that the tax has been correctly paid over. Under this process *scheme administrators* are being given the opportunity themselves to identify and report any outstanding tax for this and earlier years and notify APSS using the above contact points.

7. *Scheme administrators* should note that interest will be charged under S86 Taxes Management Act 1970 from the 31 January following the end of the tax year in which the chargeable event occurred. In determining any penalty under Section 98 Taxes Management Act 1970 the normal mitigating factors will be considered.

8. If you have any outstanding tax that needs reporting please download the 1SF form from the above website/link and send it to Luke Saxton or Jon Burnell at Audit & Pension Scheme Services, 1st Floor, Yorke House, PO Box 62, Castle Meadow Road, Nottingham. NG2.1BG. You can also contact them via the phone numbers or e-mail addresses shown on page 1 under enquiries. You will be given advice and help to make the submission of this form as easy as possible. Please ensure you have the following information available when making the call: a) Scheme name and tax reference,

- b) Contact telephone number and address,
- c) Amounts and years involved

9 If a notice of inspection is issued and previous years have not been accounted for penalty position under Section 98 (1) (b) Taxes Management Act 1970 for failure to notify will be more seriously considered.

10. Forms 1(SF) for the tax year ended 5 April 2006 should be sent as normal to the scheme's Tax Office.

Glossary

Scheme Administrator – means the person resident in the UK who will be responsible for the management of the scheme, as defined in Section 611AA Taxes Act

Taxes Act – means the Income and Corporation Taxes Act 1988.

conjunction with those publications as appropriate.