

By email only: repaymentsconsultation@hmrc.gov.uk

HMRC
14 Westfield Avenue,
Stratford,
London, E20 1HZ

6 September 2022

Dear Agent Policy Team

SPP comments in response to consultation on Raising standards in tax advice: protecting customers claiming tax repayments.

SPP welcomes the opportunity to respond to this consultation.

Although SPP does not fall within the categories of organisation listed in the consultation document as having an interest, we recognise that pensions and tax are inextricably linked. On occasions the tax system can result in pension schemes deducting tax from payments to scheme members which those scheme members later need to reclaim from HMRC. We have an interest in ensuring the system works for pension scheme members in that situation and therefore would like to provide some input into the pensions-related aspects of the consultation.

SPP member firms provide professional advice and services in relation to pension matters, of which tax is often an essential component. It is often impossible to separate pension advice from tax advice as pensions are governed by the tax regime. The advice could be to pension trustees, employers, individuals, or to any of the providers of pensions services. A number of our members also provide tax advice and services on other matters, and this response relates solely to the pension tax related activities provided by our members.

When dealing with individual taxpayer's pension schemes and arrangements, pension schemes are required to provide them with information on any tax deducted from payments along with information relating to events that could lead to a tax liability for the pension scheme member. For example, the amount of Lifetime Allowance used by the member's scheme benefits or the amount of Annual Allowance used by the member's accrual in a tax year.

In many cases pension schemes are required to deduct tax from payments to their members. The complexity of the tax system can often mean that the amount of tax deducted, while correct

The Society of Pension Professionals
124 City Road, London, EC1V 2NX T: 020 7353 1688
E: info@the-spp.co.uk www.the-spp.co.uk

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under the PAYE system, is not the amount of tax that the member is due to pay. This issue particularly manifests itself when dealing with one-off payments such as Trivial Commutations or Uncrystallised Funds Pension Lump Sums, and in these cases too much tax is often deducted. This remains an open and ongoing point on the agenda of the HMRC Pensions Industry Stakeholder Forum.

Operating as a repayment agent would not normally be an activity that our member firms would undertake as part of their pension services. However when dealing with cases they will often be informing individuals that the tax deducted may not be the actual amount due and of the need to contact HMRC to remedy this, particularly if the individual does not want to wait until the tax year end to have their overpayment refunded automatically.

Although we do not make any comment on the workings of tax repayment agents, we would support HMRC's intention to protect their customers. We think that, in the context of pension schemes, the key things that would help to protect pension scheme members are:

- As far as possible having a tax system that supports deducting the correct amount of tax at the right time.
- Where it isn't possible for the tax system to deduct the correct amount of tax, then to ensure the system for reclaiming any overpayment is well signposted to individuals and is transparent and straightforward for customers to use.

Yours faithfully

Stuart Reid
Chair, Administration Committee, SPP

Fred Emden
Chief Executive, SPP

THE SOCIETY OF PENSION PROFESSIONALS (SPP)

SPP is the representative body for the wide range of providers of advice and services to pension schemes, trustees and employers. The breadth of our membership profile is a unique strength for the SPP and includes actuaries, lawyers, investment managers, administrators, professional trustees, covenant assessors, consultants and specialists providing a very wide range of services relating to pension arrangements.

We do not represent any particular type of pension provision nor any one interest-body or group. Our ethos is that better outcomes are achieved for all our stakeholders and pension scheme members when the regulatory framework is clear, practical to operate, and promotes value and trust.

Many thousands of individuals and pension funds use the services of one or more of the SPP's members, including the overwhelming majority of the 500 largest UK pension funds. The SPP's membership collectively employs some 15,000 people providing pension-related advice and services.