

SSAS update

‘All change! ... and again?’

December 2023

Our view on recent regulatory and legal developments for trustees of small self-administered pension schemes.

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Autumn Statement Update 2023

On 29 November 2023, a Finance Bill was published, with nearly 100 pages taken up with all the necessary detail to carry out the abolition of the Lifetime Allowance and introduction of two separate caps on tax-free lump sums that take effect from 6 April 2024. As expected, the Bill also includes details of the transitional arrangements for those who have only drawn part of their benefits.

This is a significant change to one of the corner stones of the current tax regime that was introduced in 2006. Given the complexity involved, the new Bill allows for possible further amendments to be made into 2026. So we may see other changes over the coming years as practical issues are identified.

The implementation date of 6 April 2024 will be before the earliest likely date for the next General Election, also expected next year. The Labour Party is opposed to the abolition of the Lifetime Allowance and has previously promised to reintroduce it, although that will now have its own challenges. So we may see more changes again!

1. Changes taking effect from 6 April 2024

1.1 Removal of the Lifetime Allowance (LTA)

The LTA will be removed, so no "limit" or "allowance" will apply to pension benefits. They will simply be subject to income tax when drawn. In its place are two new allowances covering lump sums paid to members or their beneficiaries on their death (described in the next section).

Our viewpoint

The result of this significant change to the tax regime is that most members' benefits are in fact likely to be broadly unchanged! However, the removal of the LTA excess tax charge (already set at zero for 2023/24) means that those with large funds could have less tax to pay.

1.2 New limits on lump sums

A tax-free lump sum remains available, but two new limits will control the tax relief on lump sums:

- The "lump sum allowance" - which is a cumulative limit of £268,275 (ie 25% of the current LTA) on the tax-free part of lump sums at retirement.
- The "lump sum and death benefit allowance" - which is a cumulative limit of £1,073,100 on the total amount of the tax-free part of lump sums and lump sum death benefits payable to and in respect of a member.

Those with old-style Lifetime Allowance protections will have higher allowances (noting that the window for new applications for Individual Protection 2016 and Fixed Protection 2016 will close from 5 April 2025).

Our viewpoint

These new allowances are frozen as there is no provision in the Bill for them to increase in future. So, over time, the inflation-adjusted value of the tax-free lump sum will reduce.

Trustees should note that there will be knock-on changes to HMRC's Event Report and, as currently drafted, the Bill requires every tax-free lump sum payment from 6 April 2024 to be reported.

1.3 Transitional arrangements

For those who have drawn only part of their benefits, transitional arrangements apply to avoid "doubling-up" the allowances.

If, prior to 6 April 2024, an individual has already exceeded their LTA, there is no further allowance. Otherwise, the lump sum allowances are generally reduced by 25% of the LTA already used.

Other arrangements apply to anyone who has drawn less than 25% of their benefits as a tax-free lump sum.

Our viewpoint

This is a complex area of a complex change. Please contact us for assistance if you have any concerns.

1.4 Death benefits

The Government had previously announced its intention to apply income tax on unused benefits on death before age 75. However, at the Autumn Statement it was made clear the Government was not going to proceed with this and as a result this change is not in the Finance Bill.

Technical updates for SSAS trustees

2. Reminder of the changes announced in the 2023 Spring Budget

In March we sent you a summary of the changes to the current pensions tax regime announced in the Spring Budget. The highlights for our SSAS clients are:

- abolished Lifetime Allowance (LTA) tax charges for 2023/24;
- increased the general Annual Allowance to £60,000 (from £40,000);
- increased the lowest level of the Tapered Annual Allowance (TAA) to £10,000 (up from £4,000); and
- increased the Money Purchase Annual Allowance (MPAA) to £10,000 (up from £4,000).

3. HMRC online services – migration to the “Managing Pension Schemes” service – Action required

As previously reported, HMRC continue to migrate their online service from their Pension Schemes Online service to their new Managing Pension Schemes service. The new service is now up and running.

All Event Reports must now be completed on the new service, and it is expected that the Scheme Return will also need to be completed on the new service for the 2023/24 tax year.

If they have not already done so, trustees should ensure that whoever is registered with HMRC online logs in to the Pension Schemes Online service and checks that the details shown are correct and up to date. In addition, they should also register with the new Managing Pension Schemes service to enable the migration. They can do so online [here](#). Please contact us for any assistance required.

HMRC intend to delete any “old” records on their Pension Schemes Online service and so whoever had registered, but not logged on recently, will need to reregister.

Clients who established a new SSAS with us in the last year or so will already be registered with new service and do not need to take any action.

Our viewpoint

Trustees now need to ensure that they are registered with the Managing Pension Schemes service and that they have successfully completed the migration process. If not, they run the risk of missing future reporting deadlines, which would incur fines from HMRC.

Why a ‘SSAS’ with LCP?

LCP is one of the UK’s leading pension consultants. Our top priority is to deliver the right solutions for our clients, whether they are large or small, based on an understanding of their scheme and consulting needs.

We act as professional advisers to our SSAS trustee clients to help guide them with pensions legislation and assist them with the administration of the scheme.

We differ from other SSAS providers as we do not act as a trustee and so are not co-owner of the assets nor co-signatory on the bank accounts. For example, our SSAS clients don’t need us to separately authorise payments from the SSAS bank account. This enables our SSAS clients to retain complete control of their SSAS, its cash and investments. Our approach is to get involved only to the extent our clients want us to, allowing them to stay in control, while being proactive when appropriate, such as when legislation changes.

We offer our SSAS clients a personalised service, and pride ourselves on long-standing, successful relationships with our clients – most of whom have been with us for many years.

Client testimonial

LCP’s knowledge cleared the fog. Trustees can feel confident in their decisions as LCP gives them an accurate understanding of the measures imposed by Government and the options open to them.

Regulatory reporting requirements 2022/23

A reminder for all those connected with SSAS of the regulatory reporting requirements.

HM Revenue & Customs (HMRC)

HMRC requires Scheme Administrators to submit reports online. Their deadline for the submission of their reports for the 2022/23 tax year is 31 January 2024. Failure to meet the deadlines will result in automatic fines.

HMRC Scheme Return 2022/23

We are aware that HMRC have issued requests for the completion of their Registered Pension Scheme Return for the 2022/23 tax year.

Whoever has registered with HMRC online as Scheme Administrator should check the scheme's noticeboard on HMRC's website (on the "old" Pension Schemes Service) to see whether a notice to complete a return has been received for the 2022/23 tax year and, if it has, arrange its completion. Please let us have a copy of any submitted return in due course.

Where LCP has been appointed as Authorised Practitioner we have already written to those clients with a note of the requirements. Where we have not been so appointed, the Scheme Administrator must check and complete any required submission. We are happy to act as Authorised Practitioner if desired - please contact us for details.

New SSASs who registered directly onto the new "Managing Pension Schemes" service won't have received a request to complete a Scheme Return for 2022/23. However this will change next year when the Return is expected to migrate to the new service. However, an Event Report may still need to be completed (see below).

HMRC Event Report 2022/23

In addition to the Scheme Return, HMRC requires an Event Report to be submitted if certain events occur during each tax year. We have set out below some further information

on the reportable events to help trustees determine whether or not an Event Report may need to be submitted. If a report is necessary, the Scheme Administrator will need to arrange for its completion. Note that the Event Report now needs to be completed on HMRC's "new" Managing Pension Schemes service online and so trustees will need to have registered and completed all the requirements in the new service before they can do so.

If there is any doubt as to whether an event that has occurred needs to be reported, please let us have details and we will advise accordingly.

Where we are aware that a reportable event has occurred, we have already written to clients regarding the next steps that need to be taken to submit the report. If a reportable event has occurred and LCP has been appointed as Authorised Practitioner we can submit the report. Otherwise, the Scheme Administrator must arrange for the submission of the report.

Reportable Events 2022/23

The Regulations set out numerous separate events covering many areas, most of which are unlikely to apply to schemes ordinarily. However, to help the Scheme Administrator determine whether an Event Report may be required, we have summarised below the type of events that require reporting.

Generally, the reportable events fall into two main areas: scheme events and member events. Please review the following list of events and if you think any of them may have occurred during the tax year please let us know as a matter of urgency so that we can advise whether it needs to be reported.

Scheme events

- Unauthorised payments¹.
- The purchase or sale of any Taxable Property² (or, if already held, any income received from such property), at any time during the tax year.
- A change in membership between certain bands (ie where the number of members has increased from 1 or above 11 or decreased below 2 or become 0).
- The wind up of the scheme.

Member events

- A member commences receipt of their benefits before normal minimum pension age - normally only possible on ill-health grounds.
- Commencement of benefits (or at age 75, if tested) where the member's funds from all schemes have exceeded the standard Lifetime Allowance and the member has relied on any form of Lifetime Allowance protection.
- A lump sum is paid to a member who has any form of Lifetime Allowance protection.
- A lump sum is paid to a member that represents more than 25% of their share of the fund.
- Lump sum death benefit payments that amount to more than 50% of the Standard Lifetime Allowance that was applicable on the date of the member's death.
- The trustees are required to issue a 'Pension Savings Statement' (usually when contributions paid in respect of a member exceed the Annual Allowance).

Transfers to Qualifying Recognised Overseas Pension Schemes are reported separately and must be reported within 60 days of the transfer.

¹ An unauthorised payment is a legally defined term and includes, for example, a loan to a scheme member.

² Taxable property is a legally defined term and includes, for example, residential property, works of art etc. If in doubt, please contact us.

Regulatory reporting requirements 2022/23

A reminder for all those connected with SSAS of the regulatory reporting requirements.

The Pensions Regulator's (TPR) scheme return

TPR is a separate government body to HMRC, for whom trustees will need to complete a different scheme return. TPR requests the completion of their scheme return normally on a rolling three-year basis for schemes with two or more members. Although TPR usually provides trustees with notification of the requirement by email/post this is not always the case. We suggest that trustees regularly check the TPR's Exchange system (via their website [website](#)) to see whether a return is due. TPR aims to give six weeks for the completion of the return and has the power to fine trustees for failing to do so. TPR have recently added a request for details of any "Investment Consultants" and "Fiduciary Managers" appointed by the trustees, which will now need to be included in the return. TPR also ask some further questions regarding "value for money assessments", "Statement of investment principles" and "climate change reports", which are not usually applicable to SSASs. As a reminder, TPR also asks trustees to confirm when they last checked the data they hold on their members to ensure

it was complete and up to date. This is perhaps more appropriate to larger schemes, but TPR have adopted a blanket approach.

We would not normally expect trustees of SSASs to have a problem confirming their members' "common data"; after all it is generally data about themselves, and with the assistance of their professional advisers, the "scheme specific data" shouldn't be a problem, providing things like scheme accounts etc are up to date. Whether the data is readily to hand is another matter!

We can assist our clients meet the requirements by providing scheme and member statements which show the common and scheme specific data we hold with some appropriate commentary. We can also be appointed to complete TPR's scheme return on the trustees' behalf if desired. Please contact us for assistance.

Information Commissioners Office (ICO) registration

Trustees should remember to renew their registration with the ICO on an annual basis. The easiest way to do so is to simply pay the renewal via direct debit. Contact us for any assistance.

Any questions?

If you would like any assistance or further information on the contents of this SSAS update, please contact Peter Clarke or Patrick Moriarty or email enquiries@lcp.uk.com.



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