EXPLANATORY MEMORANDUM TO

THE REGISTERED PENSION SCHEMES (SPLITTING OF SCHEMES) (AMENDMENT) REGULATIONS 2015

2015 No. 667

1. This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs ("HMRC") and is laid before the House of Commons by Command of Her Majesty.

This memorandum contains information for the Select Committee on Statutory Instruments.

2. Purpose of the instrument

2.1 This instrument amends the Registered Pension Schemes (Splitting of Schemes) Regulations 2006 (S.I. 2006/569) ("the 2006 Regulations") so that the 2006 Regulations which provide that administrators for local areas of the Police, Fire, Electricity Supply and Local Government pension schemes are treated for specified tax purposes as if they were the central administrator, will also apply to the 2015 Police and Fire Service pension schemes which are being introduced from 1 April 2015 as part of the changes to public sector pension schemes generally.

3. Matters of special interest to the Select Committee on Statutory Instruments

3.1 Regulation 3 of this instrument applies the 2006 Regulations to the new Police and Firefighters Pension Schemes 2015. This instrument therefore has to refer to the Regulations which establish the Police Pension Scheme 2015 (England and Wales), Firefighters' Pension Scheme 2015 (England) and the Firefighters' Pension Scheme 2015 (Wales).

3.2 It was not therefore possible to make this instrument until all the Regulations establishing the three new pension schemes were made. The last of those three Regulations were laid on 10 March. This instrument, which needs to come into force at the start of the tax year on 6 April, was made as soon as possible after that date but as a result, the 21 day period will expire several days after Parliament is expected to prorogue.

4. Legislative Context

4.1 The vires to make this instrument in section 274A of the Finance Act 2004 enable HMRC to treat a single registered pension scheme (known as a split scheme) as if it was a number of separate registered pension schemes (individually known as sub-schemes). These sub-schemes are treated as separate pension schemes for the tax purposes specified in the 2006 Regulations.

4.2 The application for a pension scheme to become registered must be made by the scheme administrator of that pension scheme. The duties of a scheme administrator are specified in the Finance Act 2004. These include paying specified taxes, reporting events relating to the pension scheme and the scheme administrator to HMRC and making returns of specified information.

4.3 Each sub-scheme has a sub-scheme administrator who is responsible for the discharge of the functions conferred or imposed on the sub-scheme administrator by the 2006 Regulations.

4.4 The three Schedules to the 2006 Regulations list the schemes which, at the time of coming into force of the 2006 Regulations were to be treated as split schemes, and specify the responsibilities and liabilities of sub-scheme administrators in respect of a sub-scheme.

4.5 Northern Ireland and Scotland each has a single Police Service and a single Fire and Rescue Service so the new 2015 schemes for those services will not be split schemes.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

- What is being done and why

7.1 Regulation 3 of this instrument ensures that the 2006 Regulations apply to the new Police and Fire Service Pension Schemes being introduced from 1 April 2015 as they apply to the current Police and Fire Service Pension Schemes.

7.2 This change is intended to ensure that sub-scheme administrators are responsible for the tax related responsibilities and obligations in respect of the new Police and Fire Service Pension Schemes as they are for the old schemes. This change maintains the administrative efficiencies provided by local administration of these schemes.

7.3 Regulations 4 and 5 of this instrument adjust the specific tax related responsibilities and obligations imposed on sub-scheme administrators by the 2006 Regulations to reflect changes to scheme administrators' responsibilities more generally. These changes remove a number of responsibilities that are no longer relevant and add a number of obligations introduced recently.

8. Consultation outcome

8.1 This instrument only affects the administrators of a small number of pension schemes and has been the subject of consultation with the Government Departments responsible for those pension schemes.

9. Guidance

9.1 HMRC has engaged with the Public Sector Pension Schemes concerned to provide guidance on the changes before they become effective.

10. Impact

10.1 The technical changes in this instrument only affect the administration of certain Public Sector Pension Schemes. The changes do not alter the policy. A Tax Information and Impact Note has not been prepared for this instrument as it gives effect to existing policy in respect of sub-schemes and makes minor technical changes to the 2006 Regulations.

11. Regulating small business

11.1 This instrument has no impact on small businesses.

12. Monitoring & review

12.1 HMRC will continue to monitor and review the operation of the 2006 Regulations through information collected from HMRC databases, tax returns, receipts and other statistics

13. Contact

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