29 May 2024

Response from the Pensions Management Institute to HMRC consultation: Raising standards in the tax advice market: strengthening the regulatory framework and improving registration

Pensions Management Institute
Moving pensions forward

Registered Office:
Devonshire House
60 Goswell Road
London
EC1M 7AD

T: +44 (0) 20 7247 1452
W: www.pensions-pmi.org.uk

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Introduction

The Pensions Management Institute (PMI) is the professional body which supports and develops those who work in the pensions industry. PMI offers a range of qualifications designed to meet the requirements of those who manage workplace pension schemes or who provide professional services to them. Our members (currently some 7,500) include pensions managers, lawyers, actuaries, consultants, administrators and others. Their experience is therefore wide ranging and has contributed to the thinking expressed in this response. Due to the wide range of professional disciplines represented, our members represent a cross-section of the pensions industry as a whole.

PMI is focused on supporting its members to enable them to perform their jobs to the highest professional standards, and thereby benefit members of retirement benefit arrangements for which they are responsible.

We trust that the feedback in the following pages proves helpful.

29 May 2024

Executive Summary

We are pleased to respond to this consultation (Raising standards in the tax advice market: strengthening the regulatory framework and improving registration - GOV.UK (www.gov.uk)) since we have concerns about the unintended consequences these proposals could have on the pensions industry and the subsequent impact on the administration of literally millions of pensions.

Our response takes account of our helpful meeting with the HMRC team running this consultation on 9 May 2024.

We also understood following this meeting that HMRC recognise this current consultation is quite high level and we would therefore be very happy to engage with a second more detailed consultation, or discuss directly with you further the concerns we have raised.

We have chosen to respond to your consultation by this letter rather than completing the online form because our concerns are quite specific and the structure of the online form does not fit well with these. We hope that you understand and appreciate this.

We agree with and support HMRC's intentions to raise standards in the tax advice market and appreciate that the consultation is covering the whole area of tax advice across many different service sectors. However, we do not believe that mainstream pension administration should be a significant concern for HMRC in this area and therefore we propose further exemptions, beyond those you suggest in the consultation, in line with your objective that regulatory action *"should be proportionate to the harms observed and the benefits expected to minimise extra costs and burdens for the taxpayer, tax practitioners and their clients, and professional bodies".*

Exemptions for pension professionals

We were pleased to read that you want "*to avoid increasing burdens on professionals that are already robustly regulated*" and are likely to exclude from the requirements (amongst others) "*professionals who are regulated in accordance with the Pensions Regulator, Prudential Regulatory Authority, Financial Conduct Authority, Insolvency Service, Institute and Faculty of Actuaries*".

However, we are unclear what you mean by the first part of that sentence regarding the Pensions Regulator and we hope since our meeting on 9 May you have had the opportunity to discuss with the Pensions Regulator what they actually do and how they regulate the pensions industry.

Obviously, the potential exemption for actuaries will cover some work carried out for and on behalf of pension schemes. However, pension actuaries generally carry out work for Defined Benefit (DB) schemes and are not routinely appointed for services to Defined Contribution (DC) schemes. There are many more active pension scheme members in DC schemes than in DB schemes and therefore this exemption for actuaries is unlikely to be relevant for the majority of pension scheme work.

Therefore, we suggest that the list of exemptions is extended to include Fellows of the Pensions Management Institute who have passed PMI's Advanced Diploma in Retirement Provisions (ADRP). Individuals who have achieved this industry-recognised and degree level qualification will have successfully undertaken a series of exams lasting several years. Fellows of the PMI are also subject to a Code of Conduct and a CPD regime which they are bound to follow.

Exempting Fellows of the PMI would, in our view, dramatically reduce the potential disruption that may otherwise be caused by your proposals.

Exemptions for work required by legislation

Pension schemes and pension professionals are already subject to detailed regulatory and legislative requirements set by, for example, HMRC, DWP and the Pensions Regulator. This includes work carried out for (tax) Registered Pension Schemes under Part 4 of the Finance Act 2004 and Provision of Information regulations (SI 2006/567), the pension scheme Disclosure of Information Regulations (SI 2013/2734) as made by the DWP, as well as the General Code of Practice and guidance issued by the Pensions Regulator.

We believe that many of the concerns currently held by the pensions industry could be dealt with by granting an exemption for work carried out in connection with the three sets of legislation and material from the Pensions Regulator, as listed above.

Scope and application of the proposed model

We are pleased that HMRC intend to apply the requirements at firm level and that senior staff will need to be a member of a professional body and to be accountable for ensuring their staff are compliant. We agree that this, together with the further exemptions we propose, should minimise burdens on the pensions sector.

However, we should like further clarity whether you intend that the following scenarios would fall within your proposals:

- A junior pension scheme administrator answers a phone call from a scheme member and provides <u>information</u> about their choices about taking a tax-free lump sum as part of their pension benefits

- A junior pension scheme administrator is making a routine submission to Pension Schemes Online, as required by HMRC, for example the quarterly Accounting for Tax form
- Trustees of a pension scheme provide information to their members about the impact of accepting a Pension Increase Exchange offer
- Trustees of a pension scheme provide information to their members about the possible tax consequences of accepting a Guaranteed Minimum Pension (GMP) equalisation top-up
- Pensions professionals offering one-one guidance sessions to scheme members to explain the tax impact of the Annual Allowance when considering what level of pension contributions to make.

Conclusion

We support the government's aims to remove the minority of tax practitioners who are incompetent, unprofessional or unscrupulous. However, we believe that the existing regulatory regime for mainstream tax-registered pension schemes should mean that the proposals in this consultation should not need to impact this sector – which services millions of people - either intentionally or through unintended consequences. Therefore we hope that you will consider and agree with our proposals for further exemptions to reduce this risk.

We would be delighted to discuss these further with you and help formulate the detailed exemptions.

Yours faithfully

Tim Box:
tim.box@lcp.uk.com
Chair of the PMI Policy and Public Affairs Committee

Tim Middleton:
tmiddleton@pensions-pmi.org.uk
Director of Policy and Public Affairs, PMI