

Pensions tax relief administration: Call for Evidence

Consultation Questions

Question 1: What are the factors that influence a pension scheme in its choice between using net pay or RAS for their members?

Question 2: How do pensions providers currently engage with employers around the differences between net pay and RAS for their employees? Is the method of tax relief a scheme operates a relevant factor in the employer's decision (either directly, e.g. when considering employees' financial positions, or indirectly, e.g. through an impact on provider fees)?

Question 3: Are there ways that this approach could be delivered that would not engage the issues identified above, namely the challenges in ensuring consistency across all taxpayers for all aspects of the tax system in a timely fashion, and additional burdens for scheme members and scheme administrators?

Question 4: We would welcome views on whether equalising outcomes by removing the top-up for non-taxpayers would represent a fair solution to this issue? If possible, it would be useful to understand the impacts on schemes and providers from any such change.

Question 5: We would welcome views on whether this approach would:

- reliably mitigate the potential difference in outcome for low earners on a consistent basis
- be a deliverable, affordable and proportionate solution for small employers with a high proportion of low-earning employees
- be appropriate for low earners who are members of defined benefit pension schemes

Question 6: What would be the impacts on schemes and providers of requiring all DC schemes to use RAS? Would this represent a proportionate decision, given potential benefits to some employees and employers?

Question 7: Would requiring all new providers of DC pensions to operate RAS represent a fair solution to this issue? The government would welcome views on the longer-term implications of such a requirement, for example whether this would result in existing schemes re-evaluating their arrangements.

Question 8: Views on whether there would be any benefit in extending RAS to all DB schemes as well as DC schemes would be welcomed. Alternatively, the government is interested in collecting evidence on challenges that prohibit such an approach.

Question 9: What changes could be made to the current methods of pensions tax relief that would ensure consistency in outcomes for taxpayers across all aspects of the tax system? If possible, please provide evidence as to how these could be delivered in a proportionate manner by all relevant stakeholders.

Question 10: Alternatively, is there a balance to be struck in ensuring consistency in outcomes as far as possible, but prioritising simplicity for individuals? Is there evidence that would support this approach as more likely to build trust and engagement with the pensions system?

Question 11: The government would welcome any evidence on whether the RAS system of pensions tax relief administration creates significant additional burdens as compared to net pay, as well as setting out what those burdens are, suggestions for any changes that could be made to ease such issues. In particular, the government would welcome thoughts on the following themes:

- whether the current system of declarations causes difficulty in claiming tax relief
- any suggestions for practical ways that the earnings limit could be confirmed that would benefit the individual pension scheme member, and
- potential operational changes needed to support a requirement for interim claims to provide relevant details of individual members

Question 12: The government would welcome views on whether there are operational changes that could be made to improve the operation of the RAS system and improve member outcomes. Is there evidence that current processes can help to support some employers or pension schemes; or does the paper-based nature of the RAS system create any obstacles in the process for claiming tax relief?