Ros Altmann: HMRC must rethink SSAS measures

By Ros Altmann | 25th January 2018 2:24 pm

This April, SSASs may be hit by new Ros Altmann HM Revenue & Customs rules that could undermine thousands of bona fide pension schemes, unless the Treasury can be persuaded to recognise the dangers of its plans.

The Government rightly wants to crack down on scams and has recognised SSASs can pose a risk. Even though these are occupational schemes, they can take on members with no employment relationship.

Fraudsters have been able to establish a new company, which then sponsors a SSAS pension arrangement into which unsuspecting individuals are enticed to transfer their previously protected pensions.

The schemes are sometimes vehicles for pension liberation or tax evasion, but are often used to put consumers into unsuitable or scam investments.

This is not a new problem. Reforms in 2014 tried to tighten rules on obtaining HMRC approval to establish a company but this did not deter the scammers.

Now it is planning measures that will require an established ongoing employment link between members and the SSAS. If no link exists, the Government wants powers to de-register the SSAS to stop them taking contributions.

While this sounds sensible in theory, there are significant problems in practice.

RECOMMENDED


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Ros Altmann: Automatic

Firstly, de-registration imposes tax charges on members who have already put money into the SSAS. So it may stop new customers being defrauded but it will penalise members who transferred funds in before that.

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Secondly, and even more worryingly, HMRC also wants the power to de-register any SSAS attached to a dormant employer. Company directors who set up a SSAS and have since retired, perhaps with their business no longer in operation, could face sudden retrospective scheme sanction charges on their assets. Forcing them to find a new employer as a condition of maintaining their pension rights is clearly unfair.

Write to your MP and ask them to raise the matter with the Treasury before it is too late. Thousands of people have SSAS schemes comprising £17.5bn of assets, as of December 2016. Clearly, this could be a tempting target for HMRC to generate extra tax revenue but that is not what the new rules should be doing. If enough people complain, there is a good chance the measures will be amended.

Indeed, there are more effective measures to address the problem of SSAS fraud. For example, the Government could introduce new rules to improve scheme quality and security.

Regulation that ensures providers are fit and proper should help drive out rogue operators. Tighter restrictions on distribution should also help, such as only permitting transfers into SSASs if approved by regulated, suitably qualified (perhaps G60, AF3 or AF7) pension advisers.

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The Government could also bring back the pre-2006 rules, requiring each scheme to have a professional "pensioneer" trustee. Better safeguarding of scheme assets – perhaps requiring transfers or investments to be counter-signed by the regulated scheme administrator, professional trustee or regulated investment adviser – should reduce risk.

Heavier penalties on those caught organising scams, pension liberation or tax evasion via a SSAS will also help.

It would be a shame to see well-meaning reforms have devastating consequences on innocent people's pension plans. I hope the Government listens to avoid undermining the attractions of having a SSAS market.

Ros Altmann is former pensions minister

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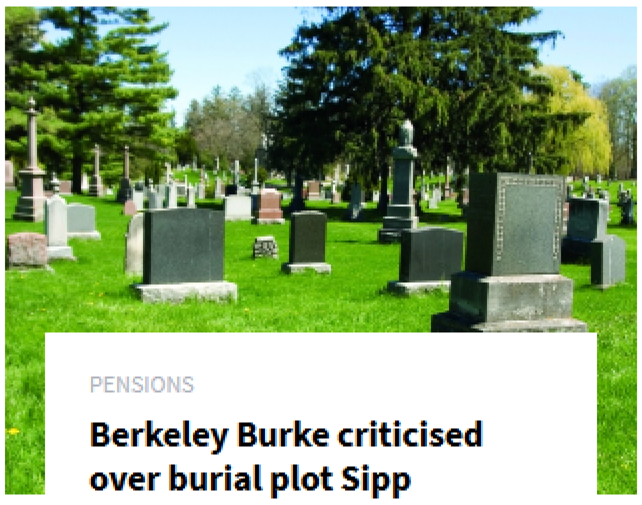

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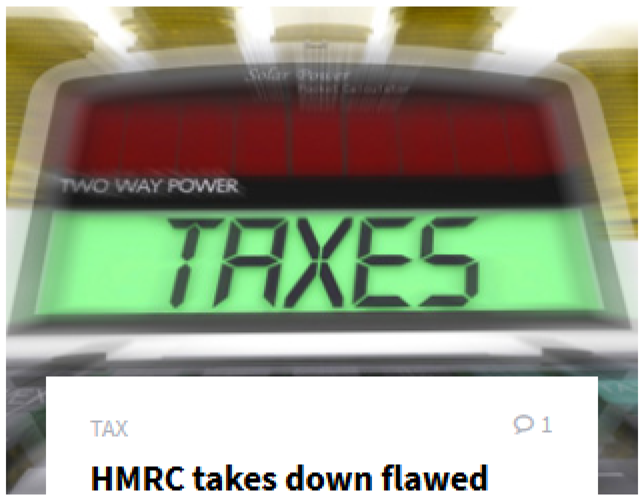

TAX 1

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COMMENTS

There are 6 comments at the moment, we would love to hear your opinion too.

Martin Tilley | 25th January 2018 at 3:04 pm

A SSAS doesn't have a "provider" unlike a SIPP. It will have an Administrator and possibly a practitioner. It may also have a professional or "pensioneer trustee". Regulation of any one of these parties would certainly help solve the problems but which body has the capability/resources to regulate in such a way?

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Siz . | 25th January 2018 at 3:31 pm

Quite right. I don't understand why they got rid of the pensioneer trustee requirement. Having to have an approved PT, who then had to keep a eye on things or risk losing his livelihood (by being removed from HMRC's list of approved PTs) was very effective. Very few scams involving PTs in those days.

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ROD LEONARD | 25th January 2018 at 4:12 pm

You might think HMRC couldn't make pension planning worse than it already is...... Now they want to destroy SASS's that we set up 4 decades ago, and if that happens who will be blamed? The the IFA.

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Tim Page | 26th January 2018 at 8:10 am

Has anyone got a link to the original source of Ros' alarm?

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Siz . | 26th January 2018 at 10:53 am

@Tim Page. It is in the Finance (No 2) Bill. See schedule 3, para 1(3)(h)
https://publications.parliament.uk/pa/bills/cbill/2017-2019/0151/18151.pdf

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David Bennett | 26th January 2018 at 9:17 am

The problem with the HMRC requirement is for the employment link to be ongoing. If that is removed, then problem solved.

Alternatively ban transfers in to dormant company SSAS.

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