

Role of a sub-scheme administrator

Purpose of this Note

It has become clear that not all sub-scheme administrators of split schemes are aware of their obligations and requirements under the tax regime for registered pension schemes. In view of the small number of split schemes, HMRC's guidance on pension schemes tax simplification (the Registered Pension Schemes Manual) does not refer to split schemes so this lack of awareness is understandable. This Note therefore provides clarification of the sub-scheme administrator's role.

1. What is a sub-scheme administrator

A sub-scheme administrator is effectively the scheme administrator for a discrete fund or section operating under the aegis of a registered pension scheme which has been split in accordance with The Registered Pension Schemes (Splitting of Schemes) Regulations 2006 SI 2006 No.569. Under these regulations, the scheme administrator of the split scheme is responsible for notifying HMRC of the sub-schemes within the split scheme and providing details of the sub-scheme administrators.

2. Which registered pension schemes are split schemes?

There are only 5 split schemes listed in Schedule 1 to the Regulations. These are

The Police Pension Scheme
The Firefighters' Pension Scheme
The Local Government Pension Scheme
The Local Government Pension Scheme (Scotland)
The Electricity Supply Pension Scheme.

Since 6 April 2006, 3 new "successor" split schemes have been registered as registered pension schemes. These are

The New Police Pension Scheme 2006
The New Police Pension Scheme (Scotland) 2006
The New Firefighters Pension Scheme 2006

3. Registration of a split scheme and sub-schemes

a. Split Scheme is the registered pension scheme

For tax purposes, it is the schemes listed at Schedule 1 which are registered pension schemes; together with any "successor schemes" which apply for registration – such as the new police and firefighters' pension schemes (and presumably in due course the new local government pension schemes). The "successor" schemes are registered by the scheme administrator.

Split schemes have a Pension Scheme Tax Reference number (PSTR) which replaces the old SF49/ reference number.

Each of these registered pension schemes has a number of sub-schemes administered by sub-scheme administrators, details of which have been provided to HMRC by the relevant scheme administrator as required by the “splitting of schemes” regulations.

b. Status of sub-schemes

A number of sub-scheme administrators have erroneously entered themselves on the administrator of the split scheme in Pension Schemes Online. This is not the case. The split scheme administrator is the sponsoring department or Scottish Ministers c/o SPPA in the case of Scottish split schemes (LGPS (Scotland) and New Police Pension Scheme (Scotland) 2006.

Sub-schemes in a split scheme are not themselves registered pension schemes. But most of the obligations and liabilities imposed on the scheme administrator of a registered pension scheme by Part 4 of Finance Act 2004 are instead imposed on the sub-scheme administrators under Schedule 3 of the “splitting of schemes” regulations which is reproduced at Annex 1. However, to be able to carry out their responsibilities, such as submitting annual Event Reports and quarterly Accounting for Tax returns (AFT) to HMRC, sub-scheme administrators need to be in the same position as a scheme administrator in relation to Pension Schemes Online (see 5 below). Accordingly, HMRC has given each sub-schemes its own PSTR and the sub-scheme administrator their own administrator ID and online recognition as if they were registered pension schemes. But this has been done solely for administration purposes and does not mean that a sub-scheme is a registered pension scheme.

So for example where another registered pension scheme asks a sub-scheme administrator for their registered pension scheme PSTR (e.g. to facilitate a transfer) the sub-scheme administrator should quote the split scheme’s PSTR not their own sub-scheme PSTR. Should another registered pension scheme ask for more evidence e.g. a copy of a page from Pension Schemes Online, they need to be given the page in relation to the split scheme itself, not the sub-scheme. As sub-scheme administrators you will not have access to the split scheme details on Pension Schemes Online so cannot obtain this yourself. You will need to ask the scheme administrator to provide you with the copy page.

Where, as with Police and Firefighters, there are 2 registered pension schemes, both of which are split with the same sub-scheme and sub-scheme administrator structure, it is important that the sub-scheme administrator can differentiate between the 2 different sub-schemes they administer since separate AFTs, Event Reports etc are required for each sub-scheme. In the case of The New Firefighters Pension Scheme 2006, the sub-schemes have been differentiated by the addition of NFPS at the end of the name of each sub-scheme. For The New Police Pension Scheme 2006 and The New Police Pension Scheme (Scotland) 2006 NPPS and NPSS(S) have been added.

4. What is the role of a split scheme administrator?

The responsibilities and liabilities of sub-scheme administrators in respect of a sub-scheme are set out at Schedule 3 of the Splitting of Scheme regulations (see the

Annex). To all intents and purposes these are the same as the responsibilities and liabilities of a scheme administrator. The residual responsibilities and liabilities of the scheme administrators of the 5 schemes are minimal. So a sub-scheme administrator is in effect the scheme administrator of the fund and any references in HMRC guidance etc to a scheme administrator should be taken as referring to a sub-scheme administrator.

5. Pension Schemes Online

HMRC has developed a Pension Schemes Online Service. This allows scheme and sub-scheme administrators to submit your Pension Schemes Service forms and returns over the internet - using either:

- Our online [Pension Schemes](#) product.
- Third Party internet filing enabled software.

Further information on Pension Schemes Online can be found at <http://www.hmrc.gov.uk/efiling/pensionssoft-dev.htm>.

From 16 October 2007, it will be mandatory for pension schemes and sub-schemes to file certain information electronically and in the prescribed format. For sub-scheme administrators the following information must be so filed:

- an Event Report (form APSS300)
- a registered pension scheme return (form APSS301)
- an AFT (form APSS302)
- notification of termination of a sub-scheme administrator's appointment.

These forms can be found on HMRC's website at <http://www.hmrc.gov.uk/pensionschemes/pts.htm> - click on "Forms" in the list of "Contents" on this page

6. Guidance

HMRC has published extensive guidance on the operation of the new regime. You should look at the following page on HMRC's website: <http://www.hmrc.gov.uk/pensionschemes/pts.htm> - The list of "Contents" on this page is the doorway to a wide variety of guidance and information about the new regime. The Newsletters give monthly updates and are a valuable first source for news on changes in the tax regime and operational matters.

There is extensive guidance on the responsibilities and liabilities of a scheme administrator in the Scheme Administrator pages of the Registered Pension Schemes Manual (RPSM). The Manual is directly available on HMRC's website at <http://www.hmrc.gov.uk/manuals/rpsmmanual/index.htm>. The Technical Pages give added technical information about the new regime. Sub-scheme administrators should read the Scheme Administrator pages as though references to a scheme administrator were to a sub-scheme administrator.

Further on, this note contains some brief guidance on AFTs and Event Reports as

these are essential to the effective operation of the new tax regime and it is your responsibility as a sub-scheme administrator to submit such returns and reports to HMRC within deadlines laid down by legislation. Late submission will result in penalties being levied.

For LGPS and LGPS(Scotland) sub-scheme administrators, Karen McWilliam of Hymans Robertson LLP has produced a Guide to Tax Simplification tailored specifically for your schemes. This guidance can be viewed on the local government employers website at www.lge.gov.uk.

6. Authorised practitioners

HMRC has recognised that many registered pension scheme administrators employ others to carry out some or all of their responsibilities.

Accordingly, HMRC has set up arrangements for scheme administrators, including sub-scheme administrators, to authorise one or more practitioners. Under these arrangements, by completing form APSS150, the scheme (or sub-scheme) administrator authorises HMRC to deal with the practitioner concerned on the scheme (or sub-scheme) administrator's behalf in relation to a registered pension scheme. If HMRC is authorised to deal with a practitioner, this means that

- the practitioner has the right to view information relating to a particular registered pension scheme on Pension Schemes Online
- the practitioner will receive information from HMRC in relation to that registered pension scheme.

HMRC will correspond in the first instance with the practitioner for the sub-scheme, instead of the sub-scheme administrator. Even though a practitioner may carry out most or all of the day to day administrative functions on behalf of the sub-scheme administrator they are **not** a sub-scheme administrator for tax purposes and should not be entered in Pension Schemes Online as a sub-scheme administrator unless and until the scheme administrator notifies HMRC that they have formally appointed a new sub-scheme administrator..

A sub-scheme administrator can authorise a practitioner on Pension Schemes Online, once they have registered the pension scheme with HMRC. Once authorised, the practitioner is linked to the scheme.

You can find further information on authorising practitioners in the Scheme Administrator pages of RPSM at RPSM02307000 et seq.

7. Accounting for Tax (AFT) return

The Scheme Administrator pages of the Registered Pension Schemes Manual at <http://www.hmrc.gov.uk/manuals/rpsmmanual/rpsm04300000.htm> et seq. provide extensive guidance on accounting for tax generally under the new regime.

Form APSS302 (the AFT return) and completion notes etc. can be viewed on HMRC's website at <http://www.hmrc.gov.uk/pensionschemes/returns-and-reports.htm>
Guidance on the return and online filing is at <http://www.hmrc.gov.uk/pensionschemes/accounting-for-tax.htm>.

Currently the return may be submitted electronically (but as advised above from 16 October 2007 this will become mandatory) or it can be downloaded and submitted in paper form.

It is important to note that, the form 1(SF) is not to be used to account for tax to HMRC where the tax has been deducted under the new tax regime. The sections of the tax legislation under which the taxes previously accounted for on form 1(SF) was charged were repealed with effect from 6 April 2006. From that date, 5 new (or replacement) tax charges were imposed on the scheme administrator of a registered pension scheme by the registered pension schemes tax legislation contained in Part 4 of Finance Act 2004.

The 5 tax charges are:

- i. the short service refund lump sum charge (replacing the tax charge on returns of contributions entered in Box 1 of 1(SF))
- ii. the special lump sum death benefits charge (new charge)
- iii. the authorised surplus charge (replacing surplus funds tax charge entered in Box 4 of 1(SF))
- iv. the lifetime allowance charge (new charge)
- v. the de-registration charge (new charge).

[Note – for tax previously accounted for in Box 3 of 1(SF), the position now is that serious ill-health commutation lump sums are not taxable if paid by a registered pension scheme by virtue of section 636A(1) Income Tax (Earnings and Pensions) Act 2003 introduced by paragraph 11 of Schedule 31 to Finance Act 2004. And trivial commutation lump sums are now taxed as pension income under section 636B (subject to 25% being payable tax-free in certain circumstances).]

Where tax is deducted in respect of any of the above charges, a sub-scheme administrator is responsible for accounts to HMRC for it on a quarterly basis (quarters ending 31 March, 30 June, 30 September and 31 December) on a prescribed form APSS100 (the AFT) which must be submitted within 45 days of the end of the quarter in which the chargeable event occurred. Likewise, tax must also be paid within 45 days of the end of the quarter. Nil returns are not required. There are fixed penalties for late submission of AFTs (even if the tax due has already been accounted for to HMRC) and interest may be due on any unpaid tax.

Where too much tax has been accounted for in a quarter, the correct procedure is to submit an amended tax return showing the correct tax due and payable. HMRC will then refund the excess tax.

8. Event Report

A scheme administrator (and hence a sub-scheme administrator) is required by regulation to provide an Event Report giving details of events that have occurred during the tax year to which the report relates. The pages from RPSM12301030 to RPSM12301220 cover each event and the information that is required under regulation 3 of the Registered Pension Schemes (Provision of Information) Regulations 2006 (SI 2006/567).

The Event Report in a form prescribed by HMRC must be delivered to HMRC after the end of the tax year to which it relates but no later than the following 31 January. So the first Event Report in respect of a sub-scheme must be submitted by 31 January 2008. Where a sub-scheme is wound up, the due date of delivery is 3 months from the date of when winding up is completed if this date is earlier.

The Registered Pension Schemes and Overseas Pension Schemes (Electronic Communication of Returns and Information) Regulations 2006 [SI 2006/570] require that the event report must be delivered electronically through Pension Schemes Online either by the sub-scheme administrator or an authorised practitioner using either 3rd party software or HMRC's free software. See Pensions Tax Simplification Newsletter No 27 for more detail.

The Event Report provided in HMRC's free software allows a sub-scheme administrator or authorised practitioner to compile it throughout the year and save it. In addition, it is possible to share the content of the compiled but not submitted Event Report with others, providing they are authorised to view it. This means that several people can contribute to its content. However, only one person can submit it.

An Event Report which is compiled and saved but not submitted is not visible to HMRC. The Event Report must be submitted to meet the filing obligations. Compiling an Event Report does not meet the filing obligations.

Only one Event Report per tax year will be accepted. Any further Event Reports will be treated as amendments.

As with the AFT return, late submission of an Event Report will lead to penalties.

Tom Young
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April 2007

ANNEX

SCHEDULE 3

Regulation 3

Responsibilities and liabilities of sub-scheme administrators in respect of a sub-scheme

PART 1

Finance Act 2004

<i>Statutory Reference</i>	<i>Subject-matter</i>
Liabilities	
Section 205	Short service refund lump sum charge
Section 206	Special lump sum death benefit s charge
Section 207	Authorised surplus payments charge
Section 215(9)	Lifetime allowance charge – amount of charge
Section 217	Lifetime allowance charge (joint & several with the individual)
Section 227(3)	Annual allowance charge
Section 238(3) and (4)	Pension input period
Section 239	Scheme sanction charge
Information	
Section 250(1)	To make and deliver a registered pension scheme return
Section 254	Accounting for tax by scheme administrators
Interest and penalties	
Section 257	Penalty for failure to comply with a S250 notice.
Section 258(1)	Penalty for failure to provide information within S251(1)(a)
Section 258(2)	Penalty for failure to comply with regulations within S251(1)(b)
Section 259(1)	Penalty for failure to comply with a notice under

	S252
Section 260(1), (4) and (6)	Penalties for failure to make a return within S254
Section 265(3)	Penalty for winding up a scheme to obtain a winding up lump sum
Section 266(2)	Penalty for transfers to "non" insured schemes (unauthorised transfer)
Section 266B	Scheme liability (inserted by Paragraph 4 Schedule 10 FA 05)
Section 267	Discharge of lifetime allowance charge in the case of good faith.
Section 268	Unauthorised payment surcharge & scheme sanction charge
Scheme administrator	
Section 271	Liability of a scheme administrator
Section 272	Trustees etc. liable as scheme administrator
Section 273	Members liable as scheme administrator
Section 274	Supplementary provisions
Paragraph 1 of Schedule 28	Scheme administrator to receive evidence of member's ill health.
Paragraph 15(2)(b) of Schedule 28	Scheme administrator to agree if a child is a dependant
Paragraph 15(3) of Schedule 28	Scheme administrator to decide whether someone is a dependant.
Paragraph 4(1) of Schedule 29	Scheme administrator to consider evidence of serious ill health
Paragraph 19(1)(d) of Schedule 29	Scheme administrator to nominate arrangement for transfer lump sum benefit.
Paragraph 19(2) (e) of Schedule 29	Scheme administrator to nominate arrangement for transfer lump sum benefit.
Paragraph 9(2) of Schedule 32	Changes to benefit crystallisation event 2
Paragraph 9(3) of Schedule 32	Changes to benefit crystallisation event 2 (inserted by paragraph 43(4) of Schedule 10 to the Finance Act 2005 05).
Paragraph 13(4) and (5)	Changes to benefit crystallisation event 3 (inserted

of Schedule 32	by paragraph 43(5) of Schedule 10 to the Finance Act 2005)
Paragraph 14(1A) & (1B) of Schedule 32	Changes to benefit crystallisation event 5 (inserted by paragraph 43(7) of Schedule 10 to the Finance Act 2005)
Paragraph 5 of Schedule 34	Exemption for scheme administrator from s.205 & s.206 charges
Paragraph 17 of Schedule 34	Omits reference to scheme administrator in s. 217
Paragraph 4(1), (2) and (3) of Schedule 36	Transitional provisions for deemed registered schemes
Paragraph 6 of Schedule 36	Pre-commencement liability of scheme administrator

PART 2

Secondary Legislation

The Pension Schemes (Discharge of Liabilities under Section 267 and 268 of the Finance Act 2004) Regulations 2005 [S.I. 2005/3452]

The Registered Pension Schemes (Relief at Source) Regulations 2005 [S.I. 2005/3488]

The Registered Pension Schemes (Minimum Contributions) Regulations 2006 [S.I. 2005/3450]

The Registered Pension Schemes (Accounting and Assessment) Regulations 2005 [S.I. 2005/3454]

The Registered Pension Schemes and Employer Financed Retirement Benefit Schemes (Information) (Prescribed Description of Person) Regulations 2005 [S.I. 2005/3455]

The Registered Pension Schemes (Provision of Information) Regulations 2006 [S.I. 2006/567]

The Registered Pension Schemes (Modification of the Rules of Existing Schemes) Regulations 2006 [S.I. 2006/364]

The Pension Benefits (Insurance Company Liable as Scheme Administrator) Regulations 2006 [S.I. 2006/136]

The Registered Pension Schemes (Meaning of Pension Commencement Lump Sum)

Regulations 2006 [S.I. 2006/135]

The Registered Pension Schemes and Overseas Pension Schemes (Electronic Communication of Returns and Information) Regulations 2006 [S.I. 2006/570]

The Taxes Management Act 1970 (Modification of Schedule 3 for Pension Schemes Appeals) Order 2005 [S.I. 2005/3457]

The Registered Pension Schemes (Transfer of Sums and Assets) Regulations 2006 [S.I. 2006/499]

The Registered Pension Schemes (Unauthorised Payments by Existing Schemes) Regulations 2006 [S.I. 2006/365]