



Lloyds GMP equalisation ruling

The High Court has issued its [ruling](#) on the Guaranteed Minimum Pension (GMP) equalisation case involving the Lloyds Banking Group, reported in [PATHways 76](#).

The judgment re-confirms that benefits do have to be equalised for the effect of GMPs and, although it does not specify a single approach of how such equalisation should be achieved, it does give an indication of which methods are acceptable. One of the methods considered and found to be lawful involves using the GMP conversion legislation to achieve equality.

While it is not yet clear whether there will be an appeal, the outcome will have an impact on formerly contracted out schemes generally, not just the schemes directly considered in this case. While an important step, there are likely to be many more legal and actuarial considerations for trustees. It is also anticipated that further guidance will be issued by the Department for Work and Pensions (DWP) as a result of this judgement.

Budget

As promised, the Chancellor of the Exchequer, Philip Hammond, delivered his [2018 Budget](#) on 29 October.

The pensions-related items include the following:

- The Lifetime Allowance will be increased to £1,055,000 for the 2019/2020 tax year
- Legislation will be implemented shortly to make pensions cold calling illegal; the Government's [response](#) to the consultation being published alongside the Budget statement
- The DWP will consult on 'the detailed design for Pensions Dashboards, and on how an industry-led approach could harness innovation' later this year, and also consult on ways to increase 'pension participation and savings persistency among the self-employed' this winter

New rules on pension transfer advice

The Financial Conduct Authority (FCA) has published [Policy Statement 18/20](#) on improving the quality of pension transfer advice in relation to transfers mainly from defined benefit pension schemes to defined contribution schemes. This follows proposals set out in a [consultation paper](#) published in March 2018, most of which are being taken forward.

The changes include the requirement for pension transfer specialists to have a specific qualification for providing advice on investments by October 2020.

Welsh rates of income tax

HM Revenue & Customs (HMRC) has [consulted](#) on draft changes to legislation in relation to Welsh income tax rates which will come into force from April 2019.

The consultation includes a draft Technical Note setting out the UK Government's policy intentions in areas where the income tax system will be affected by the rate-setting power in Wales, and draft legislation for the introduction of the Welsh rates of income tax.

The draft legislation makes changes to various provisions within the income tax framework to allow for potential differences between the Welsh and UK rates of income tax in areas such as pensions tax relief in schemes operating relief at source and the tax rates applicable where an annual allowance tax charge applies. It also makes changes to the Income Tax (Pay As You Earn) Regulations 2003, including provision for a C (for Cymru) code to apply for Welsh taxpayers.

It is not clear yet whether different income tax rates will actually apply in Wales from April 2019. The [Draft Budget 2019-20 Outline proposals](#) document does however suggest that Welsh rates of income tax will not be increased for the 2019/20 tax year.

HMRC: Countdown bulletin 37

[Countdown bulletin 37](#) has been published and this includes an article on the introduction of an approval process for adjusting members' National Insurance contributions from A rate (contracted in) to D rate (contracted out), or vice versa, as a result of scheme reconciliation.

However, HMRC has since provided certain updates in relation to that article directly by email to pension scheme administrators.

HMRC: Pension schemes newsletter 104

HMRC has issued its October [newsletter](#), covering a wide range of topics, including:

- Information on new features that will be available on the Manage and Register Pension Schemes service from 13 November 2018, following a brief period where this service will be offline
- Confirmation that the P6 coding notice error has now been rectified and how non-taxable pension death benefits can now be reported to HMRC
- A reminder of the circumstances of when it is appropriate to use HMRC's Non-Statutory Clearance Service
- Providing examples of some common problems experienced by HMRC when scheme administrators are completing APSS262 forms and accounting for tax (AFT) returns, in relation to overseas transfers and the overseas transfer charge

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