



## **HMRC Rules Overview**

The Main Aim(s) of this unit:

The aim of this Unit is to provide occupational scheme administrators with an overview of Her Majesty's Revenue and Customs (HMRC) rules that affect all pension schemes and the impact this legislation has had on members' benefits and Benefit Crystallisation Events (BCEs).

The learner will need to know and understand:

### **The rules relating to Benefit Accrual and the Annual Allowance**

- The current limits on Benefit Accrual and tax relief.
- When the test against Annual Allowance is necessary.
- When the Annual Allowance tax charges apply.
- How to calculate a basic Benefit Accrual for a DB Scheme.
- Money Purchase Annual Allowance (MPAA).

### **Benefits Crystallisation Events (BCE):**

- The definition of the term Benefit Crystallisation Event.
- The significance of BCE's for occupational pension schemes.
- The Benefit Crystallisation Events available for members.
- What members have to do when a BCE event occurs.
- What administrators of a scheme have to do when a BCE event occurs.

### **The knowledge requirements for the various BCE's in relation to the following:**

- Retirement.
- Ill health retirement.
- Pension Commencement Lump Sums (including calculation of a Pension Commencement Lump Sum).
- Death Benefits (including Lump sum death benefits and Pension benefits on death).
- Overseas transfers.

**The rules relating to the Lifetime Allowance (LTA)**

- Knowledge of the current years LTA.
- The significance of the LTA with regard to paying pension and lump sum benefits.
- The implications of exceeding the LTA for both members and schemes.
- How to calculate a LTA tax charge.

**Dependants' pensions**

- The definition of dependant by HMRC and how it can impact on a scheme specific definition.
- Overview of nominees and successors.
- Whether a LTA test is used before paying a dependant's benefit when a member has died.
- Securing a dependant's pension benefit within the scheme.

**Basic features of protection**

- Including eligibility and differences between the types of protection.
- Transitional protection and how this helps a member with pre 6 April 2006 benefits in the scheme.
- Primary protection.
- Enhanced protection.
- Fixed protections.

**The Learning Outcomes for this unit:**

On successful completion of this unit the learner will:

1. Understand the terms Pension Input Period (PIP) and Pension Input Amount (PIA).
2. Understand the rules affecting the Annual Allowance under the current tax regime and the checks that must be implemented to ensure it is not exceeded.
3. Identify the different Benefit Crystallisation Events and how to calculate a Pension Commencement Lump Sum.
4. Distinguish between the different types of pension protection.
5. Calculate the percentage of the LTA used for benefits crystallising post 2006 for Defined Benefit and Defined Contribution Schemes.
6. Identify any differences in the LTA calculation if benefits crystallised pre 6<sup>th</sup> April 2006.

**Assessment Method**

Assessment is via examination compiled, carried out and marked in-house (PMI recognised centre). Assessment is to cover all learning outcomes in order to pass the unit.