Company Pension (one-member) Revenue Approval Update

Pension Advisory Services

The Revenue Commissioners have written to all providers to inform them of a number of changes to the Revenue approval process for one-member company pension plans.

Key changes from 1 January 2015

- P60 or payslip must be submitted with all new one-member company pension plans
- If any information required for Revenue approval is still outstanding after 6 month the plan will be cancelled

P60 or payslip required

With effect from 1 January 2015, one P60 or payslip is required in respect of all new one member company pension schemes. The P60 or payslip should be printed from the employer's payroll system. An accountant's letter or a handwritten P60 will not be acceptable.

Revenue has advised that they have come across many examples of approval applications where the member is not receiving any income from the employer. Revenue understands that this is particularly common with directors in the early years of a business. However, it is a requirement of legislation that the member must be in receipt of remuneration from that employer before a company pension can be set up. The purpose of this change is to show that the scheme member is in receipt of Schedule E (PAYE) income and to verify the salary inserted on the application form.

We would strongly suggest advisers start to collect and submit P60 or a payslip with all company pension applications from now to avoid any issues from 1 January.

This requirement also applies to Company Pension Term Assurance policies. The life office will be required to retain the P60 or payslip for inspection by Revenue, if required.

Cancellation of one-member company pension plans due to outstanding information

Life offices are required to seek Revenue approval immediately in respect of new schemes requiring approval. Our aim is to gather all information as part of the fully completed application form. This requirement will normally allow Revenue approval to be granted.

In a limited number of cases some additional details are required by the life office or Revenue during the approval process. Where this happens Revenue will permit a period of six months (from the date the life office started receiving contributions) for the submission of all information needed for approval. If the information is not sent to Revenue within this timeframe, the life office must refund the contributions to the employer stating the reason. The life office will also notify Revenue of the cancellation of the plan. Employer contributions refunded will be a taxable trading receipt for the employer. Employee contributions/AVCs paid to the employer will have to be refunded by the employer to the member through PAYE.

Based on our experience and discussion with Revenue, outstanding information typically falls into 2 areas:

1. Retained Benefit information on existing pensions

It is important that information on all the client's existing pensions is included with each application. Revenue records will show where clients have previously been members of a pension scheme, or have claimed tax relief in respect of past pension scheme contributions. As such Revenue will be aware if a client has an existing pension and will question the application if such details are not included. Missing information on existing pension benefits is the number one type of outstanding information.

2. Proof of earnings

Where a client's declared earnings on the application do not match Revenue records then Revenue requested proof of earnings. Going forward this will no longer be an issue as the P60 or payslip submitted will show the client's PAYE earnings.

Other Changes – "Strict 60ths" funding basis

There are a number of other minor changes that Revenue are making to the company pension approval process. A number of these relate to improving the correspondence between the life office and Revenue with the aim of improving the approval process.

One change that may be relevant in some cases is that it will be possible to request that the maximum funding check is done on the "strict 60ths" basis. This change may be of use if it is not possible to get current information on a client's pensions relating to past employment.

If this is required then "strict 60ths basis" should be entered on the application as the name of the scheme/life office holding the past employment company pension / personal pension / PRSA.

We expect that information will normally continue to be given for pensions relating to both current employment and past employment for the following reasons:

- All advisers will be aware of the Consumer Protection Code requirements to know your client. It is important to have a clear picture of the client's circumstances and information on existing pension benefits will be gathered as a normal part of the advice process, which will include gathering information on pensions for past employment.
- In addition for clients with larger funds, past employment pension benefit information could be important to check if client's are at risk of breaching the €2m standard fund threshold.
- Using the "strict 60ths" basis does not remove the requirement to gather information on pensions relating to current employment. Details of existing pension benefits relating to current employment must be included in all cases.
- The "strict 60ths" funding basis is usually less generous than the "uplifted scale" that is normally used. Using the "strict 60ths" basis means that it is more likely that contributions will be restricted or declined because of maximum funding rules.

All the above changes are being introduced by Revenue for a trial period of 6 months for one-member company pension plans. There are no changes to the group pensions Revenue approval process. At the end of this period Revenue will review how the one-member company pension scheme approval process is working. The hope is that these changes will streamline the approval process for all.

The information contained in this document is based on Irish Life's understanding of legislation and Revenue practice as at November 2014 which may change in the future