



Philip Secombe
Police and Crime
Commissioner
for Warwickshire

Decision Application WPCC20033

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| Application Date: | 19.01.2018 | Name of Applicant: | Sara Ansell |
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Application Decision Reference: WPCC20033

1. Summary of the application - Annual Allowance Tax Charges – Mandatory and Voluntary Scheme Pays.

Some officers may incur a tax charge where their pension growth within the police pension scheme during a pension input period is greater than the annual allowance for that year. The Scheme Pays facility allows the tax due to HMRC to be paid by the police pension authority in exchange for a permanent reduction to the officer's pension. There are two forms of Scheme Pays – Mandatory and Voluntary. This application seeks to determine whether Voluntary Scheme Pays (VSP) are made available to the Warwickshire Chief Constable, if affected. The Warwickshire Pensions Scheme Manager will make a similar decision as to whether Voluntary Scheme pays (VSP) are made available to any other affected scheme members other than the Chief Constable.

2. Background information:

Summarised details in relation to the two current schemes are outlined below:

Mandatory Scheme Pays (MSP) applies where:

- the individual is subject to the standard annual allowance (currently £40k)
- their tax charge is over £2,000
- This relates to a single scheme and to the immediately preceding tax year.

The Mandatory Scheme Pays covers the majority of cases.

Voluntary Scheme Pays (VSP) operates where a tax charge due does not meet the above criteria; ie

- relates to an earlier year; and/or
 - is under £2,000; and/or
 - the member is accruing benefits under more than one scheme (i.e. a transition member);
- and/or
- the member has a personal annual allowance which is different to the standard amount (they are subject to a 'tapered' annual allowance).

Under the VSP the Authority agrees to the payment to HMRC on the member's behalf in exchange for a reduction to pension.

In terms of the current position, the MSP continues to operate as usual without any specific issues, however, there is a potential issue with the operation of VSP within the Police Pension Schemes.

The scheme regulations do not specifically provide for the automatic operation of VSP for members not covered under the mandatory option. The Chief Police Officers Staff Association (CPOSA) have outlined that interim arrangements can be utilised by forces to operate VSP in advance of planned amendments to the regulations by Government. This has been further reiterated by the National Police Chiefs Council (NPCC) who have issued an update on the recent developments relating to Scheme Pays. This update confirms that the Home Office intend, with no guarantee, to make changes to regulations following discussion with HMRC. The Home Office state however, that they are "not in a position to mandate forces offering VSP to scheme members" and that "it remains open to scheme managers to offer VSP at their own discretion"

The timescales for agreeing, or otherwise to such a scheme are tight, largely due to the tax reporting and payment deadlines, so that late-payment penalties or additional interest are not incurred either by individuals or by the Pension Scheme.

3. Whether additional information/report is attached to support this decision application

NO

4. Expected benefits (non-financial)

The benefits of VSP could potentially be both for the individual and for the pension scheme. For the individual, the VSP could avoid the situation of significant tax demands, and for the pension scheme any up-front 'tax' payments would be exchanged for a permanent ongoing reduction in pension payments.

5. Impact of not approving the application

If the decision is not to implement a VSP, in instances where the MSP does not apply, this could create a situation for the individual of increased and largely unexpected tax payments, and the pension scheme would not benefit from the opportunity or making reduced future pension payments as part of the off-setting of 'up-front' tax payments on behalf of individuals to HMRC.

6. Costs

Any costs arising from this decision would only be incurred if the Chief Constable was affected by the criteria surrounding the VSP outlined above. Any costs incurred as part of the tax payment to HMRC would be exchanged for a permanent reduction in the Chief Constables pension costs, so there should be no additional cost to the force or PCC in the light of this decision.

However, the decision to introduce VSP or otherwise, does need to be made in a timely fashion, to avoid any potential late-payment penalties or additional interest charges, in accordance with the tax calendar.

7. Savings:

None specifically identified

8. Equality and Diversity Implications:

This decision relates to the operation of a VSP for the Chief Constable of Warwickshire only, if affected under the criteria previously outlined. The Scheme Manager for the Police Pension will make a similar decision on behalf of all other Scheme members within Warwickshire.

9. Treasurer's comments

No additional comments to those shown above.

10. Legal/Monitoring Officer comments

Decision of the Police and Crime Commissioner

Approved

PCC Signature:

Paul Jefferson

Date of Decision:

19th January 2018.