

## Pension Schemes

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Pension schemes are a necessity of life but pretty uninspiring things in themselves so I will be brief over a couple of apparently similar, but nonetheless different, pieces of news for this sector.

The first is that HMRC has come to what appears to be a final conclusion on the treatment of VAT on costs that a business pays for the administration and investment costs of an employee final salary pension fund. Following the recent decision in the case of PPG, HMRC accepts that all VAT on supplies made to the business, but relevant to the fund, is input tax of the business. This displaces the earlier more restrictive view that only the administration costs relate to the employer's business. It also removes the 'rule of thumb' for mixed use costs (the old 70/30 rule) since the costs are all now open for a VAT claim.

But HMRC is at pains to emphasise that it is insufficient for the employer to merely pay the costs. He must also have received the supply. We are told that this is very 'fact sensitive' and that HMRC will look at all the surrounding facts. But we are given a hint in the form of a suggestion that the contract for the services ought to have been taken out by the employer company. One wonders what more there can be to it. I suspect that that is all there is, in fact.

But care is needed as regards recouping the costs from the fund. This used to be regarded as outside the scope of VAT, but is now a taxable supply to the fund. Thus, such recharges will not be efficient and should be avoided. One way might be instead to reduce the contribution the employer makes to the fund. In an earlier publication HMRC had suggested that the value of the reduction would be taxed as if it were a charge. This view had surprised us, but we now find that it has not been repeated. Perhaps it has 'gone away' albeit we cannot be sure, from this information, at least.

The R&C Brief is [here](#).

Claims for historic input tax are invited.

A further R&C Brief was issued on the same day dealing with the VAT liability of management services for pooled pension funds. This is not about whether VAT can be claimed but, rather, whether the charges are exempt in the first place.

HMRC now accepts that a pension fund which pools investments from a number of defined contribution schemes can qualify to receive exempt management services. The definition of funds that will benefit are ones that: are solely funded by the future pensioners, involve the pensioners bearing all investment risk, are a pooling of contributions of several future pensioners, and spread the risk of the investment over 'a range of securities.

[HMRC Brief 44 \(2014\): VAT treatment of pension fund management services](#)

Claims for over-payments of VAT on such services are invited.

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