States of Guernsey
Revenue Service

Notice to GAPP

20 March 2023

Summary of Income Tax Measures Applicable to Pensions in the 2023 Budget

- **Enhanced 50% rate of tax on unauthorised pension payments**

Penal measures have been introduced in the form of an enhanced 50% rate of tax on any unauthorised payments made from approved pension schemes. This aims to deter serious breaches of the conditions for approval of pension schemes, or payments which are not allowed by the Income Tax Law.

The income tax charge would be levied against the individual who had received the unauthorised payment. Such income would be excluded from the tax caps and standard charge, meaning the recipient would pay tax on these payments in addition to any limits on the amount of tax payable that may be in place.

The Revenue Service would have the ability to abate the liability to tax by an amount which, having regard to the relevant circumstances, is just and reasonable. It is envisaged that this may be applicable where it is the actions of a trustee or employer, and not the actions of the individual member, which has caused the payment to be made.

- **Grandfathering section 157E exempt pension schemes**

In line with the Statement made by the Treasury and Resources Department Minister to the States of Deliberation on 27 June 2012, section 157E exempt pension schemes have been grandfathered.

This means that no new schemes will be approved and no further transfers or contributions can be made into existing section 157E exempt pension schemes, with retrospective effect to 27 June 2012.

- **Withdrawal of personal allowances for high earners**

The threshold, at which tax allowances and withdrawable deductions will be withdrawn, has been reduced to £90,000 with effect from 1 January 2023.

Any bonuses, payments in lieu of notice, or sums drawn from pensions (except the tax-free lump sum) are included in a person’s “calculated income”, therefore one-off payments, such as the commutation of a pension fund for example, may tip individuals into being high earners for that year.

Miscellaneous Matters

- **Triviality requests**

The Revenue Service is receiving an increasing number of requests directly from scheme members asking for permission to commute fund values in full which are not trivial in amount. The members are indicating that their trustees have suggested Revenue Service can allow commutation of a fund value that exceeds the prescribed limits. The Revenue Service does not have discretion over the limits set out in legislation and trustees should be advising members accordingly.

- **Filing deadline**

The Revenue Service issued a letter to trustees of all existing schemes approved under section 157A(4) of the Income Tax (Guernsey) Law, 1975 in January 2022 requesting all outstanding accounts, including accounts for 2021 be submitted within 90 days. Subsequent to the issue of this letter the filing deadline for prior year accounts was extended to 30 June 2022 and the deadline for 2021 accounts was extended to 30 November 2022. A number of accounts remain outstanding and a further 30 days will be allowed for these to be submitted.

Continued failure to lodge accounts with the Revenue Service is considered a breach of the conditions of approval and may result in the Director of the Revenue Service withdrawing approval in extreme cases. Alternatively, if accounts are not lodged within 30 days, a notice may be served on the Trustee to obtain those accounts and failing to comply with that notice may result in the imposition of financial penalties.

All 2022 accounts should be filed by 30 November 2023.

N Forshaw
Director of Revenue Service