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Pension Schemes, Money Laundering and the Trust Registration Service

The introduction of new regulations aimed at combatting money laundering last year caused some issues for many pension schemes. While increased record keeping requirements may not have exactly been welcomed, they were no great diversion from the general recent direction of travel.

More onerous were the requirements to register with, and maintain an annual entry on HMRC's Trust Registration Service (TRS), where a pension scheme had incurred taxable gains on its assets. Even identifying the pension schemes that had to register with the TRS was often not straightforward.

Thankfully, HMRC has had a rethink about the role of the TRS for trust-based pension schemes.

Background

The money laundering legislation does not place any specific requirements on pension schemes, but there are provisions that apply to trusts. Even though HMRC acknowledges that registered pension schemes pose a very low money laundering risk, trust-based pension schemes fall within the scope of the legislation and are required to comply with the requirements.

The TRS provides the way in which trusts can register with HMRC for money laundering purposes. HMRC has only required trustees of pension schemes to register with the TRS if the following two conditions are both met:

- The scheme is a UK express trust (which HMRC expects an occupational pension scheme to be); and
- The trustees are liable to pay at least one of the following taxes in relation to the income or assets of the scheme: income tax, capital gains tax, inheritance tax, stamp duty land tax, stamp duty reserve tax, land and building transactions tax (in Scotland).

Revised HMRC Practice on the TRS

The TRS legislation provides HMRC with the discretion to determine the format by which trustees must submit the information about the trust.

Following discussions with the industry, HMRC has recently confirmed that:

- Where a pension scheme is set up as an express trust and is registered with HMRC's Pension Schemes Online reporting platform, then the trustees **do not** need to also register on the TRS.
- Trustees will only need to register with the TRS if a pension scheme is set up as an express trust and incurs a UK tax liability on trust assets or income **and it is not** registered with Pension Schemes Online.
- If a pension scheme is registered with Pension Schemes Online, and has already submitted information to the TRS, then no further action is required with regard to the TRS. Scheme administrators (i.e. usually the trustees of a registered pension scheme) can update the details about their trust on Pension Schemes Online.

Related points of interest

Later this year, HMRC will begin replacing Pension Schemes Online with a new reporting platform, known as Manage and Register Pension Schemes. Registered pension schemes will be transitioned across to this new system. As with Pension Schemes Online, pension schemes registered on Manage and Register Pension Schemes will not have to register with the TRS.

What remains unchanged under the money laundering regulations is that trustees of all pension schemes set up as an express trust (irrespective of whether or not any UK tax liability has been incurred) must maintain accurate and up to date written records about the beneficial owners of the trust in the event that HMRC or a law enforcement authority requests the data.

In Closing

This is a welcome change of practice by HMRC, and one that the industry has been calling for, for some time. Registered pension schemes are already subject to comprehensive reporting requirements under Pension Schemes Online to an extent that, for example, trustees of family trusts, are not.

It is unfortunate that this change could not have been introduced ahead of the first TRS registration deadline earlier this year, but this gives trustees of registered pension schemes more certainty going forward.

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