



Is P46(Pen) introduction a missed opportunity?

Surprisingly the February 2009 issue of HMRC's Employer Bulletin made little reference to the new form P46(Pen) being introduced from 6 April 2009. This looks like a missed opportunity to increase awareness of a new procedure which has been given little publicity, other than to software developers.

No doubt most employers and payers of pensions are quite familiar with the current routines but the status quo is about to change and I'm not sure everyone is fully prepared. In this article I've tried to identify the changes in procedure in the most common situations from the current P160/P46/P45 routines to the new ones featuring P46(Pen)/P45.

And let us be clear from the outset that, from 6 April 2009, employers with 50 or more employees will have to send starter and leaver information (including P46(Pen)) online (i.e. electronically). All employers must send this information online from 6 April 2011.

As a starting point, the form P46(Pen) itself seems clear enough when it says, "Fill in this form for someone starting a pension." But is this always so?

For the simplest scenario, where an employee is retiring and going to receive a pension paid by the employer, the procedure is largely the same as before other than the P46(Pen) replacing the P160:

- do not treat the employee as leaving your employment
- do not complete form P45
- complete form P46(Pen) and send it to your local HMRC office within 14 days of the employee retiring and give the employee a copy of the form or the information.

The requirement to give the employee a copy of the form is unchanged from the P160 procedure but with many employers filing in-year forms electronically for the first time from April, this cumbersome requirement could be overlooked by some. HMRC could have helped with this had they provided a paper copy suitable for computer printing.

Note that the above procedure also applies if the employee continues to work but starts to receive a pension.

In the case of a pension being paid by the trustees of the pension fund, the **employer** should take the following action:

- treat the pension recipient as leaving your employment
- complete form P45
- do not complete form P46(Pen)

Again the only change is that reference to the P160 is replaced by the P46(Pen). (Note that although the employer does not complete a P46(Pen), the payer of the pension does, as explained below.)



However, there are more significant changes to the procedures for **paying** pensions and annuities in other scenarios. These include a pension being paid by the trustees of the pension fund and employers paying pensions to dependents of deceased employees or pensioners.

Currently, if the pension recipient gives you a form P45 you are required to complete Part 3 and write 'Pensioner – Week 1 (or Month 1) basis applied' on the top of Part 3 before sending it to HMRC. Under the procedure from 6 April, you can either complete P45 Part 3 and send it to HMRC or complete and send form P46(Pen) instead. HMRC do advise, though, that it will help both them and the new pension recipient if you use the form P46(Pen).

Also, if the pension recipient does not give you a form P45, HMRC instructions are to complete a form P46 (form P46(Pen) from 6 April) in all cases but **not** to give the form to the pension recipient, especially where the pension is paid to a widow, widower or surviving civil partner following the death of their spouse or civil partner.

The rules for applying tax codes to pensions are not changing. So use the existing code for someone retiring, otherwise that shown on the P45, or the emergency code in the absence of a P45. The code should always be applied on a non-cumulative basis until advised otherwise by HMRC.

Remember that starter and leaver forms must show date of birth and gender from 6 April 2009 and that a default date of birth should not be used.

The basic guidance for employers is contained in HMRC's Employer's Further Guide to PAYE and NICs CWG2 (2009/10) and Employer's help book Day to Day Payroll E13 (2009/10). Further guidance, "Guide for pension and annuity payers" was published on the "What's new" section of the HMRC website on 28 January 2009. This covers more complex scenarios as well as a frequently asked questions section. Form P46(Pen) is available to order via the Employer Orderline but will not be despatched until late March.

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