

Work and Pensions Select Committee: pension freedom guidance and advice inquiry

Personal tax

01 October 2015

LITRG give evidence on the practical aspects of the new pension flexibility

LITRG has submitted written evidence to the Work and Pensions Select Committee on its inquiry into whether people are adequately supported in making good, informed decisions about their retirement savings in light of the changes on access to pensions and pension drawdown introduced in April 2015.

LITRG drew on examples from queries received by charities TaxAid and Tax Help for Older People to support the submission. A worrying issue that emerged is that there is a lack of awareness of the government's Pension Wise service.

LITRG believes that people need to be well informed about the income tax and state benefit consequences of the choices they make with their pension funds. These choices will affect their income for the rest of their lives, with no chance to correct inadvertent mistakes.

Failure to deliver clear and correct guidance is likely to create additional burdens on HMRC in the form of contact from ill-informed taxpayers. For the taxpayers themselves, there could be consequences such as failure to understand how their retirement income will be taxed, their obligations on reporting this income, and possibly a reduction in their entitlement to state benefits. LITRG is concerned that the tax and benefits guidance – for example the operation of PAYE on payments received with a subsequent requirement for the individual to either seek a refund or pay additional tax – is confusing for taxpayers.

Many individuals face a significant reduction in their income when they retire. LITRG believes that Pension Wise must:

- Review the guidance it offers to ensure it is tailored to each individual's circumstances for the right decision to be made. At present this guidance appears to be generic and fails to take sufficient account of the needs of each individual.
- Review the accessibility of face-to-face meetings, particularly for individuals in remote locations and improve its location finder.
- Expand the network of organisations that signpost individuals to its services.
- Improve the online links to its websites from other organisations.

HMRC must ensure that their staff are fully aware of the tax and benefits issues on the new flexibility. They should consider establishing a specialist team to deal with enquiries and take prompt action. This should include sending the relevant and correct refund claim forms for individuals who are unable to access the forms digitally.

The LITRG submission is available on the [LITRG website](#).