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TAX

Millions of pensioners hit by HMRC deadline

By Laura Miller

Up to a million pensioners will be stuck with incorrect payments, many longstanding, after the end of this month, experts have warned, because HMRC is limiting help to set their records straight.

Millions more will be put in limbo from Oct 31, the last day that company pension schemes can easily check with HMRC that they have the information needed to pay pensioners the right income.

State and final salary employer pensions will both be affected. Willis Towers Watson, a financial consultancy, said hundreds of thousands of pensioners would get less than they were due, or too much and companies would have to claw it back later.

Differences are small for most people. But in a recent case, Willis Towers Watson said some pensions were wrong by £5,000 in total and others, if left uncorrected, would be out by £10,000 over a lifetime.

Those affected reached state pension age before April 6 2016, when the benefit had two parts: basic, where people built entitlement based on their national insurance record; and the state earnings-related pension scheme (Serps).

From 1978 it was possible to “contract-out” of Serps. Employees and their employer would pay less national insurance to reflect the cost of what was being given up. The company had to pay a guaranteed minimum pension (GMP) in return for its tax break.

But widespread problems were found with GMP payment records.

Pension schemes have had since 2014 to fix this, but want more time. HMRC won't give in, and after Oct 31 it will only process case-by-case checks, which will be much slower.

Phil Titchener of Willis Towers Watson said: “GMPs are so complicated some people could end up with too little from the state and too little from their workplace scheme.”