

## Just When You Thought It Was Safe To Go Back Into The Water...re: UK Pensions

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You may remember that **HMRC** said they would issue further guidance on the **VAT** treatment of **DB** pension fund administration costs over the summer. Well, by my reckoning we are well and truly into autumn but HMRC have today published a new [Brief](#). Has it resolved matters? In short (and, sadly) No.

First, we have official confirmation that the tripartite agreement route may not in fact be very tax efficient. HMRC had previously confirmed that if the employer was added as a party to the investment management agreement and paid the fees, it could reclaim the VAT charged on those fees as input tax. Many employers and pension scheme trustees have been working with investment managers to put in place new or revised agreements. Well, HMRC have now decided that if the employer pays the costs under a tripartite agreement, it will not be entitled to a corporation tax deduction. So, they give with one hand and take with the other.

Next, two other solutions that have been proposed do not get a completely clean bill of health. Reading between the lines, HMRC think that VAT grouping the pension scheme with the employer or setting up an arrangement under which the trustees are paid by the employer to provide management services may not be completely effective from a VAT perspective. VAT grouping was never going to be popular with trustees since it exposed them to joint and several liability for all of the group's VAT liabilities but the idea of trustees being paid to provide services to the employer looked to have some potential.

Lastly, accepting that matters are still far from resolved (mainly, it must be said, due to the uncertainty they have created), HMRC have extended the current transitional period by a further 12 months to 31 December 2016. This will allow employers to continue to recover a proportion of the VAT on management costs for another year under existing bilateral agreements where the trustees meet the cost. Employers are free to switch to one of the alternative solutions sooner but will need to think carefully in light of this latest Brief.

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