

Pension Scheme Sanction Charge

As background to this issue-

- In 2010 the commutation factors changed to above 20, that breached the HMRC maximum limit introducing the unauthorised payment charges, and with them the scheme sanction charge.
- Neither Home Office or HMRC were able to advise scheme managers on how to treat scheme sanction charges and who should pay these.
- Scheme managers are responsible for managing, administering and governing the scheme.
- Scheme managers who took the decision to pass the charge to the member should have an audit as to why the charge would be passed to the member, and their reasoning.
- Since 2021 when a national pension team was established within NPCC, advice has been given on the matter of the scheme sanction charge.

The charge should not be passed to the member, because the scheme rules do not allow it. The [finance act 2004](#), says in section 239 paragraph 2 that the person liable to the scheme sanction charge is the scheme administrator. To clarify for the purposes of the term 'scheme administrator' they mean the scheme manager - [Finance Act 2004 \(legislation.gov.uk\)](#). Therefore, the person liable is the scheme, and the scheme sanction charge is not chargeable to the member if the pension scheme rules do not allow for it, the 1987 regulations have never been amended to allow the scheme to deduct the tax charge from the member.

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