

Pensions:

An Emergency Guide to the Emergency Budget

During the election campaign, much was discussed about the possible changes to tax relief on pensions. Below are our immediate observations from the Emergency Budget. We are in the process of drawing up our comprehensive guide to the new pensions rules and the recently announced Green Paper. In the meantime, if you have any questions, please contact us on 0800 321 3582 or at ifa@savingschampion.co.uk.

Pensions

Annuities

The chancellor has announced a decision to delay a secondary market for annuities until 2017. Further plans will be announced for introducing this measure in the autumn.

Lifetime Allowance (LTA)

The Lifetime Allowance for pension contributions will reduce from £1.25 million to £1 million from 6 April 2016.

Transitional protection for pension rights already over £1 million will also be introduced alongside the reduction. The LTA will be indexed annually in line with CPI from 6 April 2018.

Reduced Annual Allowance for top earners

The government will restrict the benefits of pensions tax relief for those with incomes, including pension contributions, above £150,000 by tapering away their Annual Allowance to a minimum of £10,000. This policy will come into effect from April 2016.

Pension input periods

Effective from 8 July 2015 all open pension input periods are now closed with the next pension input period running from 9 July 2015 to 5 April 2016.

To prevent retrospective taxation, individuals will have an £80,000 annual allowance for 2015-16, of which £40,000 can be used between 9 July 2015 to 5 April 2016.

All subsequent pension input periods will be concurrent with the tax year from 2016/17 onwards.

Pensions tax relief

A consultation will take place on whether and how to undertake a wider reform of pensions tax relief.

Taxable lump sum death benefits

As expected the rate of tax payable on lump sum payments to a beneficiary will reduce from 45% to the marginal rate of the beneficiary, with effect from 6 April 2016.

Payments made to a beneficiary where a member has died under the age of 75 will continue to be paid tax free in most circumstances.

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