Latest developments in pensions tax

Following the significant changes to money purchase arrangements that took effect from April 2015, the industry was probably not expecting further amendments to the regime so soon. However the March and July 2015 budgets and subsequent legislation announced the drop in Lifetime Allowance (although with the promise of indexation) and the far-reaching changes to Annual Allowance, along with options for wider reform of pension tax relief.

The money purchase flexibilities have been discussed at earlier conferences. This session therefore concentrates on the changes since then:

- The Tapered Annual Allowance for high earners and the alignment of PIPs announced at the summer budget and confirmed in Finance (No 2) Act 2015. These both create administration and consulting issues for our client schemes and employers. Further draft regulations have recently been released setting out the changes that will be required to the information provisions as a result of both these measures.
- The drop in Lifetime Allowance announced in the March budget and now detailed in Finance Bill 2016 with the proposed protections. The protections are similar to those for the 2014 change, although the system for applying for the protections will be different. Thought processes from the 2012 and 2014 Lifetime Allowance changes need to be revisited, both for the administration of the protections and when considering alternative benefits for those affected.
- Various other provisions included in Finance (No 2) Act 2015 to 'tidy up' the tax position of some death benefits from April 2016, following the 2015 money purchase flexibilities
- Other Finance Bill 2016 provisions aimed at simplifying some aspects of the current regime and removing some anomalies

The possible changes to pensions tax relief have been covered at other ACA meetings, so are not explored in detail in this session. We await announcement in the March budget, but there will no doubt be much discussion and speculation in the time until then, on the possible outcomes and on the impact for salary sacrifice arrangements.