PENSIONS ISAS "COULD BE GEORGE OSBORNE'S 'GORDON BROWN' MOMENT" – STEVE WEBB

In a hard-hitting speech at Friday's annual conference of the Association of Consulting Actuaries, Royal London Director of Policy Steve Webb will compare the 'Pensions ISA' proposal to former Chancellor Gordon Brown's notorious tax raid on occupational pension schemes. Steve Webb will say:

"Replacing tax relief with a Pensions ISA could be George Osborne's 'Gordon Brown' moment. The former Chancellor probably thought that raising billions of pounds from pensions through abolishing dividend tax credits was a complex change which few would understand but which would quietly raise billions from pension savers. But the legacy of that damaging change is still being felt today, and the former Chancellor's name is forever associated with that measure.

There is a real danger that with the "Pensions ISA" history could repeat itself. Abolishing tax relief on pension contributions would certainly raise large sums for the Chancellor, even if some of the proceeds were given back as a government top-up into pension pots. But the damage done to pension saving would be incalculable, as pensions are once again seen as a convenient pot for cash-strapped Chancellors. Just at the point that millions more people are starting to save through automatic enrolment, upheaval in the tax treatment of pensions is the last thing we need."

In his remarks, Steve Webb will highlight the problems associated with Pensions ISAs, including:

- The need for pension schemes and providers to run parallel pension accounts for each individual for decades to come, one with tax already taken out and one yet to be taxed;

- The risk that if pensions in payment are tax free, the 'Lamborghini risk' will be exacerbated; at present, withdrawals from pensions are taxed, which acts as a brake on withdrawals; if they were tax free there would be much less incentive to spread withdrawals over a number of years;

- Taxing pensions up-front effectively brings forward tax revenues from future generations; yet it is future generations who will face the biggest bills for pensions, health care and social care; they need as broad a tax base as possible.

- Confidence in pension saving among employees and employers would be further damaged. If the Government contribution to pensions was simply a top-up to taxed contributions this would simply be another element of the system which Chancellors could tinker with from year to year, creating yet more uncertainty.