



The Registered Pension Scheme Tax Changes - "to end all changes"

We summarise below key features of the Government's proposed changes to the UK pensions tax regime, as set out in draft clauses of Finance Bill 2011, published on December 9th 2010 – **and which will affect you!**

Maximum tax relieved pension contributions from 6th April 2011

- The "Annual Allowance" will change to **£50,000**. This is the maximum tax relieved pension contribution for an individual.
- There will be a facility to enable members of registered pension schemes to **carry forward** any unused Annual Allowances for three years.
- This Carry Forward Allowance will **augment** the Annual Allowance. It will **first** be available from 6th April 2011, at up to £50,000 per year, for 2008/9, 2009/10 and 2010/11.
- Personal pension contributions will receive tax relief at marginal rates.

Maximum Benefits after 6th April 2011

The Standard Lifetime Allowance (SLA) after 6th April 2012

- The SLA will be **reduced** to **£1.5 million** from £1.8 million.
- Individuals who obtained either Enhanced or Primary Protection before 6th April 2009 will retain this Protection status.
- Others may seek Fixed Protection - a new personal Lifetime Allowance of £1.8 million – provided that no pension contributions or benefits accrue after 5th April 2012 and that application is made properly and on time.

Tax free cash after 6th April 2011

- Tax free cash may be drawn after age 75 if benefits are deferred.
- The **maximum** pension commencement lump sum will **drop after 6th April 2012** to 25% of the **reduced SLA** – except where lump sum protection was obtained, prior to 6th April 2009.

Pensions after 6th April 2011

- There is no compulsory annuity purchase requirement.
- Pensions in drawdown will be governed by just one regime called "capped drawdown", **regardless of the member's age**.
- The maximum capped drawdown is **100%** of the equivalent annuity rate.
- There will be no need to take any minimum annual drawdown.
- The new limits will apply from the next review due after 5th April 2011.
- Additional sums under "flexible drawdown" are available if members meet the "minimum income requirement" of £20,000 p.a..
- "Scheme Pensions" continue as an alternative, where appropriate.

Death Benefits after 6th April 2011

- Where benefits are undrawn and death occurs before age 75, funds up to the Lifetime Allowance may be paid **tax free in lump sum form**.
- For protected members, in such circumstances, higher sums may be paid.
- On death in drawdown – or after age 75 in all cases - residual funds may be paid out in lump sum form, subject to a **55% overall tax charge**.
- Alternatively, dependants' pensions may be paid - subject to income tax.