



HM TREASURY

RESTRICTING PENSIONS TAX RELIEF

30 June 2010



7/15/2010



INTRODUCTION

Emergency Budget announced:

- Fiscal imperative to restrict pensions tax relief, from April 2011, and ensure that reforms raise no less revenue than scored for the FA10 measure
- Government believes that an alternative approach to that legislated for in FA10 might better meet its objectives
- Would involve reform of existing allowances, principally the annual allowance
- Provisional analysis suggests an annual allowance in the range of £30k-45k might deliver the necessary yield
- Recognise that various features of a much lower annual allowance would need to be revised to ensure it operated fairly and effectively
- Want to engage with interested parties to determine best design of the regime
- Intend to take a power in summer Finance Bill to repeal the FA10 measure. Will repeal it once the Government has decided on the detail of its approach





KEY POLICY DESIGN ISSUES TO RESOLVE

- How pension accrual in defined benefit schemes is valued
- Supporting hard cases caused by one-off spikes in pension accrual
- Protecting basic-rate taxpayers from the restriction
- Whether and how there could be flexibility for individuals over paying any charges that arise
- How compliance and delivery would operate in practice (and associated admin burdens)
- Other detailed aspects of policy design

And flowing from this:

- The level of the annual allowance that will deliver the required yield, and the level of the lifetime allowance





NEXT STEPS – BROAD TIMELINE

- Restriction of pensions tax relief will:
 - take effect from 6 April 2011
 - be legislated at Finance Bill 2011
- Intend to publish draft legislation in autumn 2010:
 - to give certainty over the approach, and allow time for scrutiny of and consultation on the legislation
- Summer 2010 – period of informal consultation:
 - July: discussions on key work-streams
 - End July: statement of policy detail
 - August: any follow-up discussions on the policy specifications
 - Happy to meet bilaterally throughout





PROPOSED WORK-STREAMS FOR ENGAGEMENT

Propose 3 work blocks. Meetings from July –

1. Valuing accruals in DB schemes
2. Managing impacts on individuals
 - scheme-led options for smoothing one-off spikes and limiting accruals / contributions
 - options for protecting basic-rate taxpayers
 - tax policy solutions options for smoothing one-off spikes and/or giving flexibility over the payment of (high) charges
3. Design and delivery:
 - ensuring that individuals receive timely information on pension benefits
 - other design features that may need to be revised





VIEWS ON PROPOSED DISCUSSION PROCESS

- What are the key milestones for you ahead of implementation in April 2011?
- Are these the right work blocks?
- Are we missing anything?
- What is the right forum / process for you to set out your detailed analysis?
- Do you have thoughts on the sequencing of meetings?
- Do you agree that a July policy statement specifying the Government's proposed approach is useful?
- How do we make sure that all interested parties are involved?

