

Tax Relief On Pension Contributions Hit

In the recent Budget, the Chancellor announced restrictions on tax relief for contributions/ benefit increases for persons whose income exceeds £150,000 and:

who change their normal pattern of regular pension contributions or the normal way in which their pension benefits are accrued changes and whose total pension contributions/benefits accrued ('pension savings') exceed £20,000 a year.

The restrictions come into force on 6th April 2011.

On the face of quite simple, but note:

The restrictions apply to people with total income over £150,000, not just those with earnings over that amount.

It would seem that both personal and company contributions will be caught.

Stringent "anti-forestalling" rules have been introduced to prevent large contributions/ benefit increases being made after 22 April 2009 and before 6 April 2011

and to prevent individuals getting round the rules by reducing their total income to below £150,000.

Although the legislation is not on the statute books HMRC has published a 52 page Technical Guide and 53 pages of explanatory notes. Nevertheless there many aspects that are not clear. AMPS, the professional body that represents SIPP and SSAS providers, is seeking clarification form HMRC on a number of key points. Taylor Patterson will publish further comments on the new rules in the next edition of "The Adviser".