



## Another pension annual allowance cut

### **The Autumn Statement revealed plans for another annual allowance cut.**

When pensions flexibility was announced in March 2014, it did not take long for tax planners to realise that it offered an interesting opportunity to “pay” the over-55s. The idea was that, instead of pay which is subject to national insurance contributions (NICs) and full income tax, contributions to a pension could be made from which the employee immediately drew benefits. As a result, NICs would disappear and income tax would be reduced by a quarter because of the tax-free lump sum.

Before pension flexibility became reality, the Treasury acted to limit the scope for such creative remuneration by introducing a £10,000 money purchase annual allowance (MPAA) to apply in such cases. In the Autumn Statement, the Chancellor announced another turn of the MPAA screw: from 2017/18 it will be reduced to just £4,000, saving the government an estimated £70m a year.

The rules for triggering the MPAA mean that once you become subject to it, there is no escape. However, it is possible to extract money from your pension in a way that does not bring the MPAA into play. This can be particularly useful if you are a private company shareholder planning a gradual retirement. Please talk to us for more details.

*The value of your investment can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance. The value of tax reliefs depends on your individual circumstances. Tax laws can change. The Financial Conduct Authority does not regulate tax advice.*