



## Is LISA the back door to pension reform?

***The announcement of the Lifetime ISA suggests that the Chancellor has not given up on his ideas for reforming the taxation of pensions.***

Shortly before the Budget there was an unofficial announcement that the much leaked (but equally unofficial) plans for pension tax reform would not be making an appearance. Most commentators thought the Chancellor had not abandoned his plans, but merely put them on hold to avoid antagonising anyone ahead of June's European referendum. The response to the original consultation on pension tax reform, published on Budget Day, was notable for including no comment on next steps.

However, Budget Day also saw the surprise announcement of a new ISA variant, the Lifetime ISA (destined to be LISA, even if the Treasury eschewed such a label). Available from April 2017 to those aged under 40, the LISA will:

- Have a maximum contribution of £4,000 a year, which counts towards the overall ISA allowance;
- Benefit from a government bonus equal to 25% of the amount contributed (maximum £1,000) up until age 50;
- Permit penalty-free access from age 60, or earlier, provided the amount withdrawn is used towards the purchase of a first home in the UK with a maximum value of £450,000. Other withdrawals before age 60 will generally mean the government bonus and any growth on it is lost and will also be subject to a 5% charge. However, the Treasury is consulting on allowing penalty-free access before 60 "for other specific life events".

The LISA looks remarkably like the Pension ISA which was an idea floated in the summer consultation paper on pension tax reform. Even the age of 60 fits quite neatly: anyone under the age of 40 in 2017 (i.e. born in 1978 or later) is probably looking at a State Pension Age of 68 or more, meaning access to private pension provision will not be available until age 58 at the earliest.

The arrival of the LISA will coincide with a significant increase in the overall ISA contribution limit to £20,000, welcome news for those who don't qualify for a LISA. In the meantime, making pension contributions continues to look like an attractive retirement planning option – while it remains available.



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