Tax year end planning: pensions

The new tax rules are due from 6 April, but there is still plenty to consider before then.

The current tax year has been a transitional one on the pension front. It has seen the annual allowance reduced by 20% to £40,000 and the lifetime allowance cut by a sixth to £1.25m. There has also been a raft of temporary transitional provisions introduced ahead of the new regime for 2015/16 onwards.

The key area to consider for both this and next tax year is whether to make some one-off contributions. There has been much political discussion about changing tax relief on contributions:

- *The Labour Party* has said that it will reduce higher rate tax relief on contributions to fund job creation. More details should soon emerge in their manifesto.

- *The Liberal Democrats*, and in particular the current Pensions Minister, Steve Webb, are considering a single flat rate of relief on pension contributions between 20% and 30%.

- *The Conservatives* have made no announcements, but a leading think tank closely associated with the party has also proposed moving to a flat rate relief system.

Income tax relief on pensions cost £27.9bn in 2012/13, with another £15.2bn cost for national insurance contribution relief on employer's contributions, according to HMRC. Given the current state of government finances, any post-election Chancellor could be tempted by such low hanging fruit.

If you wish to make large pre-emptive pension contributions, please contact us as soon as possible. Maximising contributions can require a considerable amount of data to be collected, which takes time.

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.