



Nottinghamshire
County Council

Restricting Pensions Tax Relief

Nottinghamshire Pension Fund

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The Government has announced plans to change the tax limits applying to pensions from April 2011.

The following is a summary of the new pensions tax regime that aims to ensure that the system of pensions tax relief remains fair and sustainable, and to protect the public finances.

Annual Allowance

The annual allowance is the limit on how much tax free pension savings you can make in any one year. It looks at the increase in the value of pension benefits from one year to the next. From April 2011 the allowance will be reduced from its current level of £255,000 to £50,000 and will be fixed until at least 2015/2016. Individuals will be allowed to offset contributions exceeding the annual allowance against unused allowance from the previous three years.

The new annual allowance of £50,000 will provide protection for the vast majority of members on moderate incomes. However it could affect members with a reasonable length of membership who have a significant increase in pay through promotion or have a number of promotions in quick succession.

The new annual allowance limit will also restrict the amount of additional retirement savings members could make through AVCs or other means from 6 April 2011. HMRC have created a webpage entitled "How does the reduced annual allowance affect me?" The page has a brief introductory on the new annual allowance regime followed by more than 30 questions and answers in which HMRC indicate how the new regime will work.

Lifetime Allowance

The Lifetime Allowance (LTA) is the total amount of pension savings that can be provided to an individual without incurring any extra tax charge. The allowance is currently set at 1.8 million but will reduce to £1.5 million from April 2012. The Government intends to design a protection regime that supports those individuals who have already made pension decisions based on the current LTA.

As you would imagine the reduction to the Lifetime Allowance will affect very few members of our Fund.

The Governments proposals in full can be found by following the link:

http://www.hm-treasury.gov.uk/consult_pensionsrelief.htm