ENSORS

CHARTERED ACCOUNTANTS

Budget 2016 – changes to Pensions

Information

Introduction of a Pension Dashboard

The government will ensure the industry designs, funds and launches a Pensions dashboard by 2019. A Pensions dashboard is a digital interface where an individual can view all their retirement savings in on place.

Financial Advice Market Review

Following the recommendations of the Financial Advice Market Review the government will:

- Consult on introducing a single clear definition of financial advice to remove regulatory uncertainty and ensure that firms can offer consumers the help they need.
- Increase the existing £150 Income Tax and National Insurance relief for employer-arranged pension advice to £500.
- Consult on introducing a Pensions Advice Allowance. This will allow people before the age of 55 to withdraw up to £500 tax free from their defined contribution pension to redeem against the cost of financial advice. The exact age at which people can do this will be determined through consultation. This means that a basic rate taxpayer could save £100 on the cost of financial advice.

The government will also restructure the delivery of public financial guidance to make it more effective.

Class 4 NICs

The government will reform Class 4 NICs, so that self-employed individuals continue to build entitlement to the State Pension and other contributory benefits, following the abolition of Class 2 NICs. The government will set out its plans for the contributory benefit tests in its response to the recent consultation on this reform.

Lifetime ISA and ISA limit

A new Lifetime ISA will be available from April 2017 for adults under the age of 40. They will be able to contribute up to £4,000 per year, and receive a 25% bonus from the government. Funds, including the government bonus, from the Lifetime ISA can be used to buy a first home at any time from 12 months after the account opening, and be withdrawn from age 60. The overall annual ISA subscription limit will be increased to £20,000 from 6 April 2017.

Technical amendments to support Pension Freedom and Choice Reforms

The government will consolidate pension flexibilities to ensure that these are working as intended, including by:

- Re-aligning the tax treatment of serious ill-health lump sums with lump sum death benefits, so that they can be paid tax-free (when the provider is content to do so) when someone aged under 75 has less than a year to live but has already accessed their Pension.
- Making serious ill health lump sums taxable at an individual's marginal rate when paid in respect of individuals aged 75 and over.
- Legislating to convert dependants' flexi-access drawdown accounts to nominees' accounts when dependants turn 23, so they do not have to take their funds as a lump sum taxed at 45%.
- Legislating to allow defined contribution Pensions already in payment to be paid as a trivial commutation lump sum, where total pension savings would be under £30,000.
- Making top ups to fund dependants' death benefits authorised payments.
- Removing unnecessary legislation relating to charity lump sum death benefits (Finance Bill 2016).

Dependent Scheme Pensions

As announced at Autumn Statement 2015, the government will reduce significantly the number of calculations that need to take place to determine whether a dependents' scheme Pension exceeds the authorised limit. Following consultation there are further reductions to the number of calculations that need to be carried out. The changes will take effect from 6 April 2016. (Finance Bill 2016).

Bridging Pensions

The Pensions tax rules on Bridging Pensions will be aligned with Department for Work and Pensions legislation following the introduction of a single tier Pension from 6 April 2016. (Finance Bill 2016).

For further information or help and advice on any aspect of Pension financial administration please contact Zoe McLaughlin on 01473 220079 or email zoe.mclaughlin@ensors.co.uk.

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