

galeandphillipson

managing your wealth



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Pensions Lifetime Allowance

Reduction announced from April 2016 to £1m

The Chancellor, George Osborne, announced a reduction from April 2016 in the pensions Lifetime Allowance (LTA) from £1.25m to £1m.

The pensions LTA is a limit on the total value of qualifying pension benefits for tax relief that you can build up, without becoming subject to a tax charge on the value of the benefits.

The cut, which will save the Treasury around £600 million a year, is expected to affect fewer than 4% of pension savers approaching retirement. However, the LTA will be index-linked from 2018 to protect it from inflation.

Whilst only a relatively small number of individuals may be subject to the LTA, if applicable to your situation, you should obtain professional advice if the value of your pension benefits are approaching, or are above, the LTA, especially with the announcement of the reduction to £1m. As pension provision is typically invested over the long term, it is quite possible that your pension pots could eventually exceed the LTA by the time you reach retirement.

Currently, savings of up to £40,000 a year qualify for tax relief, but there is an upper limit of £1.25m over the lifetime of a pension pot, following which a tax charge of 55% applies.

The limit has been cut several times since its introduction in 2006, falling from £1.5m in April last year, following a reduction from £1.8m in 2011.

ARE YOUR FINANCIAL PLANS STILL ON TRACK AFTER BUDGET 2015?

There may have been a number of key announcements in Budget 2015 that will impact on your financial plans. If you would like to review your current situation to ensure that your plans are still on track, please contact us.

Information is based on our current understanding of taxation legislation and regulations. Any levels and bases of, and reliefs from, taxation are subject to change. Tax treatment is based on individual circumstances and may be subject to change in the future. Although endeavours have been made to provide accurate and timely information, Gale and Phillipson cannot guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough review of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions.

BUDGET 2015 ACTION POINT

If appropriate, it may be necessary to consider taking your pension early or stop contributing to the scheme/plan, even though you have not retired, to avoid the value exceeding the LTA, as the test is done each time you access your pension pot. You should obtain professional advice to assess your particular situation before taking any action.



FACTSHEET