Autumn Statement 2016

Alert | 23 November 2016

Introduction

On 23 November 2016, Philip Hammond delivered his first Autumn Statement as Chancellor of the Exchequer.

It will no doubt come as a relief to many that, whilst pensions have not escaped the Chancellor's attention entirely, there has been no significant change in policy this time around.

Key points

- In order to limit the extent to which pension savings can be recycled to take advantage of tax reliefs, the money purchase AA is set to be reduced to £4,000 with effect from April 2017.
- As previously indicated, the Government plans to ban cold callers from targeting pensioners, as part of wider measures to tackle pension scams.
- Whilst tax savings on salary sacrifice and benefits in kind are generally set to be axed, salary sacrifice arrangements relating to pensions will be spared.

Money purchase Annual Allowance

Currently, individuals who flexibly access their pension savings become subject to a £10,000 AA for subsequent DC savings ("the money purchase AA"). If an individual exceeds the money purchase AA, an "alternative AA" of £30,000 will then apply in respect of any non-DC (ie DB) pension savings.

Following the Chancellor's announcement that from April 2017 the money purchase AA will be reduced to £4,000, the Government has published a consultation to seek views on its proposals. In particular, it wants to assess whether respondents agree that this level of money purchase AA would neither impact on the roll out of automatic enrolment nor disproportionately affect particular groups.

The Government wishes to offer scope for those who have needed to access their savings to rebuild them subsequently. However, it does not consider that earners aged 55 and over should be able to enjoy double pensions tax, such as relief on recycled pension savings.

The consultation closes on 15 February 2017.

Combatting pension scams

According to a report by Citizens Advice, some 2.4 million 55-64 year olds received unsolicited contact about their pensions in the first year of the new retirement freedoms.

With a view to tackling the problem of pension scams, the Government intends to consult on various options to address the issue, including a ban on cold calling, greater powers for firms to block suspicious transfers, and making it harder for scammers to abuse small self-administered schemes.

Foreign pensions

The tax treatment of foreign pensions is set to be more closely aligned with the UK's domestic pensions tax regime by bringing foreign pensions and lump sums fully into tax for UK residents, to the same extent as domestic ones.

The Government also plans to:

- close specialist pension schemes for those employed abroad ("section 615" schemes) to new saving
- extend from 5 to 10 years the taxing rights over recently emigrated non-UK residents' foreign lump sum payments from funds that have had UK tax relief
- align the tax treatment of funds transferred between registered pension schemes
- update the eligibility criteria for foreign schemes to qualify as overseas pensions schemes for tax purposes.

Salary sacrifice

Another widely anticipated measure was the removal of tax and NI advantages from salary sacrifice schemes. Following consultation, the tax and employer NI advantages will be removed from April 2017, except for salary sacrifice arrangements relating to pensions (including advice), childcare, Cycle to Work and ultra-low emission cars.

The Chancellor’s first – and last – Autumn Statement

In a move which is intended to “promote certainty and simplicity within the tax system”, Philip Hammond has announced a change to the Government’s existing practice of using the Autumn Statement as a mini-Budget, in favour of “a single major fiscal event each year”.

Following the Spring 2017 Budget and Finance Bill, Budgets will be delivered the autumn, with the first one taking place in autumn 2017.

From winter 2017, Finance Bills will be introduced following the Budget. The aim will be to reach Royal Assent in the spring, before the start of the following tax year. This change in timetable is intended to help Parliament scrutinise tax changes before tax year in which most will take effect.

Sacker & Partners LLP
20 Gresham Street
London EC2V 7JE
T +44 (0)20 7329 6699
E enquiries@sackers.com
www.sackers.com