Sackers

Budget Day 2021

Alert | 03 March 2021

Introduction

Rishi Sunak delivered his much trailed second Budget today. Much of his focus was of course on helping the economy bounce back in these "unprecedented" times, by protecting jobs and livelihoods. Measures designed to strengthen the public purse include the Lifetime Allowance ("LTA") remaining static and a consultation on helping to "unlock" potential pension fund investment.

Key points

- As had been rumoured, to "support businesses and employees across the UK through the next stage of the pandemic", the Coronavirus Job Retention Scheme ("CJRS") has been extended until the end of September 2021. The grant will continue to cover 80% of a furloughed worker's salary or wage, up to £2,500 per month, with employers covering the cost of NICs and pension contributions. From July, "as the economy reopens and demand returns", the Government will introduce an employer contribution towards the cost of unworked hours of 10% in July, rising to 20% throughout August and September.

- Despite numerous rumours, no major overhaul of the pensions tax regime was announced, with only the LTA coming under the Government's microscope. The LTA has been reduced on successive occasions since 2012, from £1.8 down to £1 million. From 2018 onwards, it has been increasing each year in line with CPI, to reach its current level of £1,073,100. One of a number of tax thresholds being frozen (including CGT and IHT), the LTA will now be held at this level up to and including 2025/26. This measure will be covered in the Finance Bill 2021, which is expected to be published on 11 March 2021.

- The forthcoming Finance Bill will also legislate to ensure that collective money purchase pension schemes (also referred to as collective defined contribution ("CDC") schemes), which are to be introduced by the recent Pension Schemes Act 2021, can operate as registered pension schemes for tax purposes (see 7 Days).

- The Government also announced that it is looking to encourage pension funds to direct more of their capital towards the country's economic recovery, with the establishment of the UK's first Long-Term Asset Fund in 2021. Its Build Back Better plan for growth looks to support access to finance "to help unleash innovation", including through reforms to address disincentives for pension funds to invest in high-growth companies. The plan notes that UK companies can still struggle to access capital, and that there remains "a largely untapped pool of capital from institutional investors", particularly DC pension schemes.

- Given the above, the Government is intending to consult “within the next month” on whether certain costs within the charge cap affect pension schemes’ ability to invest in a broader range of assets. This is to ensure pension schemes are not discouraged from such investments and are able to offer the highest possible returns for savers. The DWP will also publish draft regulations aimed to “make it easier for schemes to take up such opportunities within the charge cap by smoothing certain performance fees over a multi-year period”.
- Despite persistent speculation and much press coverage, no changes to the Triple Lock were announced.

If you have any questions on any of the above, **please speak to your usual Sackers contact**.

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