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5th December 2012

Dear Client

# THE CHANCELLOR'S AUTUMN STATEMENT 2012

In his 2012 Autumn Statement today the Chancellor of the Exchequer announced changes to the pensions tax regime – again! **The majority of these changes will take effect from 6 April 2014**. The position will be clarified further when enabling draft legislation is published next week.

**It is clear, however, that there will be a concentrated opportunity for pensions and contributions planning and efficiency over the next 16 months.** We will liaise with you and your other professional advisors with a view to ensuring that you obtain the maximum possible advantage.

## A: CHANGES

We summarise the key changes below:

### 1. A change to the Standard Lifetime Allowance (SLA)

For clients who have **not** been granted:

a) Enhanced Protection
b) Primary Protection or
c) Fixed Protection

**The SLA will drop on 6th April 2014 to £1.25 million from the present £1.5 million limit**. (Pension savings **in excess** of the SLA are taxed when benefits commence or on death or on attaining age 75 or on transfer abroad at 25%)

### 2. Fixed Protection 2014

Individuals who are not beneficiaries of Enhanced Protection, Primary Protection or Fixed Protection may apply for this new additional category of protection **– but the applications must be received by HMRC by 5th April 2014. The application forms will be available from the summer of 2013.**

Fixed Protection 2014 will provide successful applicants with a lifetime allowance of the greater of £1.5 million and the SLA (£1.25 million from 6th April 2014.)

If an individual obtains Fixed Protection 2014 he/she will not be eligible to benefit from further pension contributions or pension accruals after 5th April 2014.

### 3. Personalised Protection

The Government is also considering the possibility of introducing a further protection mode – Personalised Protection – for those with funds in excess of £1.25 million on 5th

April 2014. This will give those affected a lifetime allowance of the greater of the value of pension rights accumulated on 5$^{th}$ April 2014 and the SLA, limited to £1.5 million. Individuals with Personalised Protection may continue making pension contributions.

### 4. A fall in the Annual Allowance (maximum pension contribution rate)

From **6 April 2014,** the Annual Allowance - the maximum pension contribution on which tax relief may be obtained in any year - will fall to **£40,000 per annum** from the present level of **£50,000 per annum**.

There are, however, no proposed changes to the "carry forward" allowance system, where maximum contributions have not been paid. Therefore in the year 2014/15, for example, unused allowances of up to £50,000 per annum for each of the years 2011/12, 2012/13, 2013/14 may be utilised in addition to the £40,000 Annual Allowance for that year.

### 5. A rise in the Capped Drawdown Limits on pensions in payment

The Chancellor has also announced that he proposes to increase by 20% the maximum capped drawdown annual pension that can be taken by a pensioner in retirement. This reverses the change that he made in April 2011. The Chancellor has not clarified when this change will take place.

### B: ACTIONS TO BE CONSIDERED

- **Clients who wish to maximise their pension funds should try to take advantage of the favourable contribution limits that will remain in place until 5 April 2014.**

- **Maximum company contributions should be considered for each active member, without existing protection, in every company year ending on or before 5$^{th}$ April 2014.**

- **In addition, the possibility of making personal contributions for each such member should also be considered.**

- **Clients who have not secured Enhanced Protection, Primary Protection or Fixed Protection and who wish to preserve a lifetime allowance of £1.5M (on which both lump sum and pensions will be based) should register with HMRC for Fixed Protection 2014 by 5 April 2014.**

- **In addition, "Personalised Protection" should be considered as soon as details become available.**

- **All members who are eligible to draw Pension Commencement Lump Sums ("tax free cash") and who have not obtained lump sum protection should review with us whether this benefit should be drawn before 5$^{th}$ April 2014.**

- **Members, drawing pensions, under the normal Capped Drawdown basis, may apply for an increase in their annual maximum pension on the next review anniversary following the implementation of the 120% increase.**

- **The levels of existing death in service cover should be reviewed.**

Nigel Sloam & Co wishes all our clients, their families and advisers a happy, healthy and prosperous Festive Season and New Year and we look forward to discussing the individual implications of these changes with you.

Yours sincerely

Nigel Sloam + Co

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