

Tax on Pensions and the Finance Act 2009

Tax on pensions can be a complex matter. Even more so for those with high earnings or other income from outside sources, such as interest on savings, investments or rental income.

The Chancellor's April 2009 Budget and December 2009 Pre Budget report introduced a number of tax increases and measures that will mainly impact on individuals with a high income.

In brief these changes are:

- From 22 April 2009 restrictions on tax relief for employees with income of £150,000 (£130,000 from December 2009) or more whose pensions savings increase above their normal level.
- From April 2010 the personal allowance will be removed for employees earning £100,000 or more. Employees earning £150,000 or more will also be subject to a new 50% top rate of income tax.
- From April 2011 those with gross income of £150,000 or more will only receive basic tax relief on the value of their pension savings, resulting in an annual tax charge for those with gross income of more than £180,000.
- Some new ways of defining income, with tests to assess the impact of tax relief and restrictions for individuals with pre tax income of £130,000 or more.

Although changes have been announced much of the detail is still to be confirmed. This makes it difficult to assess how these changes will affect an individual.

Whilst the Fund can provide information it is not authorised to provide financial advice.

Scheme employers and not the Fund are responsible for tax on pay and pension contributions. The Fund is working with employers to ensure they are aware of these changes. Any queries on tax on pension contributions and personal allowances should be directed to your employer.

Financial Advice

As this is a complex matter, you should seek independent financial advice if you think you may be affected by the changes.

The following websites and telephone numbers below may help you:

- IFA Promotion – www.unbiased.co.uk – 020 7833 3131
- The Pensions Service – www.pensions.gov.uk – 0845 60 60 265
- The Pensions Regulator – www.thepensionsregulator.gov.uk – 0870 606 3636
- The Financial Services Authority – www.money.made.clear.fsa.gov.uk – 0300 500 5000