IN4ORM

# Tax Changes April 2016

**The Government has decided with effect from April 2016 to impose further restrictions on the tax relief allowed on contributions paid in to pension schemes.**

## Will this affect me?

**YES** If your annual pay (before tax) is in excess of £110,000 or if you have Adjusted Income of over £150,000.

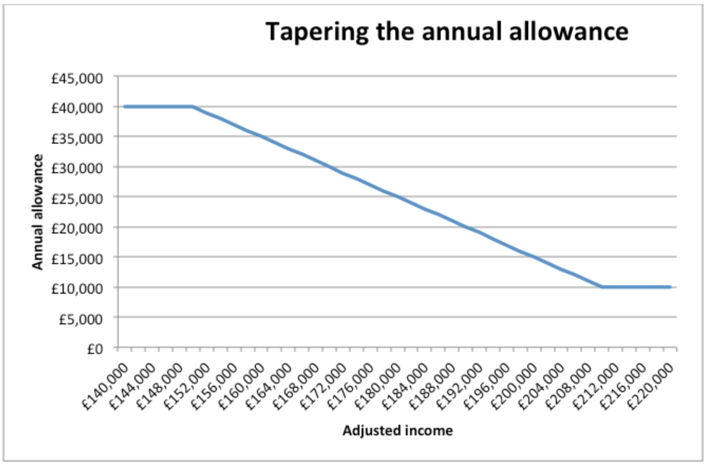
**NO** If your annual pay (before tax) is less than the threshold of £110,000.

## What does this mean?

**Adjusted Income** is defined by the Government as your annual pay plus the value of any annual pension savings.

**Pension Savings** are defined as contributions to your pension made by your Employer and contributions made to your pension by you. You may need to request a pension saving statement from your Employer to understand the value of any contributions.

**Annual Allowance** is defined as the maximum amount of tax relieved pension savings you can make in one year, currently it stands as £40,000. From 2016, if you are affected, your adjusted Annual Allowance will be reduced by £1 for every £2 of income you receive over the £150,000 as demonstrated in the following graph:




The reduction is capped so that it can't reduce the annual allowance below £10,000.

## What else is changing?

**Over 55?**

Previously if you were over 55 and took benefits from any pension, your Annual Allowance would reduce from £40,000 to £10,000. Under the new structure if you are already going to have an Annual Allowance of £10,000 from the next tax year you would be able to access your pensions without losing any allowances.

If the contribution in to your pension arrangements exceed your Annual Allowance you will be subject to an Annual Allowance tax charge at your marginal rate of tax.

**Transitional arrangements and the alignment of Pension Input Periods**

For some individuals, their pension year for tax purposes (known at Pension Input Period) is different from the tax year. In order to make it easier for you to work out your pension saving over a tax year, Pension Input periods will be aligned with the tax year. This means that only pension savings made in the tax year 2016-17 need to be added to annual pay to work out the adjusted income for that year.

Transitional rules in force from Budget day will mean that any pension savings you have already made in 2015-16 before the Budget will not be retrospectively taxed through an Annual Allowance charge. After Budget, prior to April 2016, pension savings can still be made up to £40,000 less any contributions already made before the Budget.

**Lifetime Allowance**

The amount that can be saved in a pension, free of tax, over the course of a lifetime will be reduced from £1.25m to £1m from 6 April 2016. If your pension savings are more than £1m by that date, or if what you have already saved will grow to more than £1.25m by the time you take your pension, you may be able to protect the funds you already have, so long as you do not contribute any more in to the pension. This is known as fixed protection.

## Next Steps

Please contact your usual 44 Consultant for further information.

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