

Pension Tax

A New Tax Year - A New Tax Regime

April 6th 2011 saw the start of the new tax regime for UK pensions. The changes that have taken place are considerable and potentially affect anyone who is a member of a company pension scheme or is saving via a personal pension. Those on higher earnings should make sure that they understand the new rules to avoid an unexpected tax bill and to ensure that they make the most of the new allowances.

Here is a reminder of the highlights and some of the questions that might arise if you want to minimise your tax bill.

The 'anti-forestalling' rules that have applied to high earners over the last 2 years have been scrapped

- If you have been affected by these rules over the last 2 years you may now be able to make greater pension contributions - is this something you wish to consider?

The maximum tax relievable pension contribution in any year is now £50,000 but the 'carry forward' rules allow this to be increased

- Do you know what your maximum tax relievable pension contribution could be this year?

HMRC has changed the rules regarding the 'Pension Input Period'

- Do you understand how this change might affect you and any action that needs to be taken?

Depending on your overall earnings, an additional pension contribution could reduce your tax bill by up to 60%

- Are your earnings above £100,000? If so you will have lost all or part of your personal allowance - an additional pension contribution could 'reinstate' this allowance

On 6th April 2012, the current 'Lifetime Allowance' will reduce from £1.8M to £1.5M

- If your pension benefits are substantial, do you know what actions you should be taking before 6/4/2012?

There are a considerable number of other changes effective from April 2011 including the ability to draw 100% of pension benefits as cash in certain situations (subject to tax).

At JLT, we have the answers to the questions that employees and employers are asking and you can explore these issues further with your usual JLT contact. Alternatively please contact Graham Cooke on 01344 381 694.

Are you an employer or pension scheme administrator?

HMRC is encouraging all pension schemes to make sure that members are advised of the changes. In a recent bulletin in connection with the new annual allowance it states - 'The Government believes that it is important for individuals to understand the potential impacts on pension benefits of meeting the annual allowance liability and would therefore expect schemes to ensure that members are well informed'.

Our workshop based sessions 'Understanding Pension Taxation' have proved beneficial for many of our clients.

David Nicholson, HR Manager at Petroleum Geo-Services said:


"The session proved most useful, especially as it was put across in an easy to understand manner".

Another client commented:


"If members don't understand the tax regime then they don't understand how the pension scheme works which means they will not value it"

Full details of our 'Understanding Pension Taxation' seminars can be found at www.jltwm.com/tax.asp or by calling Graham Cooke on 01344 381 694 - graham_cooke@jltgroup.com

Understanding Pension Taxation



JLT WEALTH MANAGEMENT



Keeping your Employees Informed

The changes to pension taxation announced by the Coalition Government in October 2010 represent just another chapter in the long running saga of alterations made to the tax system since what was, rather inappropriately, entitled 'Reform' in April 2005.

Far from simplifying things, successive tax changes have left many pension scheme members today confused. In particular, higher earners, who have been targeted by recent announcements, face a complex barrage of new rules that risk bringing traditional pension schemes into disrepute.

Every person that pays higher rate income tax should, we believe, have an understanding of the pension tax system if they are to properly appreciate the benefit that their employer's arrangement provides. For those earning at the highest level and paying income tax at the 50% rate, knowledge and understanding is essential and the recent announcement of a reduction in the lifetime allowance will affect those with substantial pension pots.

The JLT Approach

JLT believes that whilst providing written information about pension tax changes will be useful, the best way to educate and inform is still on a face to face basis. Offering to provide independent financial advice to all senior hires will be beyond the budget of most employers, that's where JLT's seminar 'Understanding Pension Taxation' can help.

'Understanding Pension Taxation' is a workshop based session tailored to your own benefit arrangement whether that be defined benefit, defined contribution or a combination of the two. Qualified and experienced independent financial advisers from our Wealth Management team deliver the sessions. Each workshop will include a group session which will be followed up by individual meetings with those employees who need to discuss individual issues. These 'one-to-one' meetings will not deliver independent financial advice as such, our experience is that this will only be required in a minority of cases and where such advice is required, our advisors will outline how this can be delivered and the costs involved.

Costs

As we are already familiar with your Pension Scheme, we can deliver a seminar that is specifically tailored for your employees at a lower cost than would otherwise be possible. Typically, a session to cover up to 10-15 individuals, including one-to-one meetings could be undertaken in a half day - if so the cost would amount to £1,200. If a full day is required, this would increase to £2,000. The cost would include hand out notes and, where an employee subscribes, an email follow up alert for those changes still to be formalised before April 2011.

www.jltwm.com

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