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Autumn Statement: Annual allowance surprise and pension liberation clamp down

This report was published by Nabarro.

Today's Autumn Statement includes a number of changes which affect pensions. These include:

The money purchase annual allowance (MPAA) which applies to those who have accessed flexible benefits (instead of the standard £40,000 annual allowance) is to be reduced from £10,000 to £4,000 with effect from April 2017. The MPAA was introduced in April 2015 to prevent people receiving double tax relief by drawing flexible benefits and then reinvesting them in pension savings. The Government has issued consultation on this proposed change.

There is to be consultation on further steps to tackle pension scams, including banning cold calling in relation to pensions, giving powers to block suspicious transfers and making it harder for scammers to abuse 'small self-administered schemes'.

Pension contributions and pensions advice will be exempt from proposed new rules applying to salary sacrifice arrangements (whereby in most cases sacrificed salary will become subject to tax and national insurance).

Primary (employee) and secondary (employer) national insurance thresholds are to be aligned from April 2017.

Bringing the tax treatment of foreign pensions and lump sums received by those resident in the UK in line with domestic pensions.

No new savings to be allowed into overseas 'section 615' schemes.

Extending the reporting requirements and introducing new eligibility criteria for QROPSs.

Insurance premium tax to increase to 12% from June 2017.

The triple-lock on state pension increases is to be retained for now and reviewed in the next Parliament.

Changes to the rules on the taxation of dividend distributions to corporate investors to allow exempt investors, such as pension funds, to obtain credit for tax paid by authorised investment funds. Draft legislation on this is expected in early 2017.

We will provide more information on these issues as and when the situation develops.

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