

Spring Budget 2023

Pensions Tax Changes

Big news from the spring budget is that Chancellor Jeremy Hunt has made big changes to the amount individuals can build up in pensions without incurring an additional tax charge. Hunt has scrapped the Lifetime Allowance, increased the Annual Allowance and reformed the Money Purchase Annual Allowance all from April 2023. Find out what this means below, but please note that the proposed changes will have to be enacted by Parliament before they take effect.

Lifetime Allowance Scrapped

From 6 April 2023 the Government has announced that it will remove the Lifetime Allowance charge (currently levied on benefits over £1.0731m) before fully abolishing the Lifetime Allowance in a future Finance Bill. However, the maximum pension commencement lump sum (tax-free cash) for those without protections will be retained at its current level of £268,275 and will be frozen thereafter.

Annual Allowance to Increase

The Annual Allowance will increase from £40,000 to £60,000 from 6 April 2023. You will still be able to carry forward unused annual allowances from the three previous tax years.

Minimum Tapered Annual Allowance to Increase

The Minimum Tapered Annual Allowance will also increase from £4,000 to £10,000 from 6 April 2023, with the adjusted income threshold also increasing from £240,000 to £260,000.

Tapered Annual Allowance was set up in 2016/17 tax year with an aim to reduce the Annual Allowance for some high earners. The rules regarding this are complex but as a general rule of thumb, it only potentially affects individuals with taxable earnings of £200,000+.

Money Purchase Annual Allowance to Increase

The Money Purchase Annual Allowance will increase from £4,000 to £10,000 from 6 April 2023.

The Money Purchase Annual Allowance is a reduced Annual Allowance and applies to those who flexibly access their pension from a money purchase pension arrangement. If you are affected by this you should already be aware.

WHAT DOES THIS MEAN FOR MEMBERS?

The changes announced should be seen as a positive move for those individuals affected – the removal of the Lifetime Allowance means that there is no additional tax charge for the pension you build over your lifetime.

FURTHER INFORMATION

Should you require any further information, please contact the team by email (zpenteam@uk.zurich.com).