



## Finance Bill: PIPs and AAs

Pensions measures in the Finance Bill (published yesterday) include changes to pension input periods (PIPs) for everyone and to the annual allowance (AA) for high earners. Tax on lump sum death benefits becomes marginal rate for most recipients.

The reduction of the lifetime allowance to £1m (and associated protection) will be in a separate Bill before April.

### Annual allowance and pension input periods

Following our Budget day note on the AA and the change to PIPs, the Bill confirms:

- an £80k AA for tax year 2015-16, with up to £40k for use from 9 July 2015 to 5 April 2016,
- any PIP in progress on 8 July 2015 ended on that day. The next PIP will be 9 July 2015 to 5 April 2016 and after that it will follow the tax year. An individual may have between one and three PIPs in relation to an arrangement for tax year 2015/16 only (usually it is one).

This means:

- many individuals have an unexpected £40k AA available from 9 July 2015 to 5 April 2016,
- for DC PIPs in progress, at the least, total contributions of up to £40k at any time until midnight at the end of 8 July 2015 (Budget day) are likely to fall within the allowance under the transitional measures, assuming no other active arrangements.

The AA from tax year 2016/17 will be £10k for income (including pension contributions) of £210k or over, with a tapered allowance between £150k and £210k.

However, the precise position for each individual during the transitional period is complicated and depends on the PIP applicable to their pension arrangement, and they may have multiple arrangements even under one scheme. Calculations for DB and cash balance arrangements are also more complicated during the transition, being (broadly) calculated as one and then time-apportioned.

### Suggested actions if you have DC pension arrangements

- If you have paid DC contributions up to and including 8 July in anticipation of the changes to the allowance, you should consider taking financial advice about the PIPs to confirm that a pensions savings tax charge (withdrawal of tax relief) will not be made on the contributions. Bear in mind that if there is a cooling off period for the arrangement, it may well expire 14 to 30 days from the contribution.
- If you intend to pay further contributions up to 5 April 2016, you should check whether tax relief will be available before making them.

### Notes

Contributions up to midnight on 8 July 2015 appear to count as within the PIP ending on 8 July.

In line with current HMRC guidance, we are assuming the date of payment of the contribution depends on the method of payment but the ordinary case is that an online or card payment is effective when administrator receives the details. A cheque would also need to have been received on or before 8 July (it can clear later). Treatment will also depend on the provider's own processes as HMRC notes some refuse to accept contributions near the end of the tax year or PIP, or hold them over to the next period.

The above ignores unused allowances carried forward (which remain possible to use); modification to the AA if pension is "flexi-accessed" any time from 6 April 2015; and any past non DC saving – ordinarily cash balance or DB pensions from previous employments would not count towards the allowance but in some circumstances they can. It also assumes a single pension arrangement.

None of the above is financial advice. Individuals should consider their own position and take their own advice.

We would be happy to provide further detail on the changes e.g. how they apply to DB and cash balance arrangements. But please note we cannot provide financial advice.

The source paper is [here](#)

## Contact

If you would like any further information, please get in touch with your usual contact in our pensions team or with me.



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