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SSAS & SIPP NEWS

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Dealing with matters affecting Small Self-Administered Schemes (SSASs) and Self-Invested Personal Pensions (SIPPs).

EMERGENCY BUDGET 22 JUNE 2010

Main points affecting pensions:

- Changes to the rules for drawing a pension from age 75
- Changes to the rules restricting higher rate tax relief
- Increase in the standard rate of VAT

1. Changes to the rules for drawing a pension from age 75

The new Government has announced that it will change the rules that currently apply at age 75 with effect from 2011-12. There will shortly be a consultation on the details of the changes.

In the meantime, *interim rules* have been brought into force with effect from 22 June 2010, which extend the age by which a member or dependant must convert their Unsecured Pension to a Lifetime Annuity or an Alternatively Secured Pension (ASP) from 75 to 77. **However, this only applies to individuals who have not yet reached age 75 before 22 June 2010**.

The *interim rules* that will now apply for those individuals who are members of a SSAS or a SIPP with EBS who reach age 75 on or after 22 June 2010 are as follows:

- Individuals must still start to receive their benefits (e.g. tax-free lump sum and pension) by age 75.
- The minimum and maximum limits for ASP will apply from an individual's 77th birthday rather than his/her 75th birthday.
- In the event of an individual's death on or after age 75, any lump sum death benefits paid will be subject to a tax charge of 35% (rather than the potential tax charges of 70% - 82% under the rules which still apply in the case of individuals who were aged 75 before 22 June 2010).

2. Changes to the rules restricting higher rate tax relief

The new Government has announced that legislation will be introduced before the summer recess to repeal (through regulations) the legislation passed in Finance Act 2010 to introduce the new rules restricting higher rate tax relief on contributions from 6 April 2011 (as mentioned in issues 11 & 12 of SSAS & SIPP News).

On the one hand this is welcome news as the rules that were due to come into force in April 2011 were unnecessarily complicated but on the other hand the Government is suggesting that in place of these rules, the current Annual Allowance for contributions of £255,000 might be reduced to a figure in the region of £30,000 - £45,000.

There will be no changes to the restrictions to higher rate tax relief which apply in the current tax year. See issues 11 & 12 of SSAS & SIPP News for more details.

3. Increase in the standard rate of VAT

The standard rate of VAT is to increase from the current level of 17.5% to 20% with effect from 4 January 2011, so members considering investing in the future in commercial property, which is subject to VAT, will need to bear this in mind when assessing whether their pension scheme can finance such an investment.

This document is based on EBS Management Plc's interpretation of pension tax law, existing law, and H M Revenue & Customs' published guidance as at the date of this bulletin, all of which may be subject to change. While we believe this interpretation to be correct, EBS Management Plc can give no guarantee in this respect.

This document is solely for information purposes and should not be construed as investment or financial advice. Individuals should seek such advice from their own professional advisers.

The tax treatment of pensions depends on individual circumstances and may be subject to change in future.

Please note that SSASs are not regulated by the Financial Services Authority.

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