

# Newsletter

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### Finance Bill 2014

#### 1. Increasing pension flexibility

As announced at Budget 2014 a number of changes are being made to the drawdown, trivial commutation and small pots limits affecting the benefits that can be taken from a registered pension scheme as drawdown pension income and as taxed lump sums.

Legislation will be introduced in Finance Bill 2014 to:

- reduce the minimum income requirement for accessing flexible drawdown to £12,000, with effect for all declarations made on or after 27 March 2014
- increase the capped drawdown limit to 150% of an equivalent annuity for drawdown pension years starting on or after 27 March 2014
- increase the total pension wealth that people can have before they are no longer entitled to receive lump sums under trivial commutation rules to £30,000 for trivial commutation periods starting after 27 March 2014

- increase the small pots limit, raising the size of a pension pot that can be taken as a lump sum regardless of total pension wealth, to £10,000 for payments made on or after 27 March 2014
- increase the number of small personal pension pots that can be taken as a lump sum to three, for payments made on or after 27 March 2014.

You can find more information about these changes in the policy paper [Increasing pension flexibility](#).

## **2. Individual protection 2014**

As announced at Autumn Statement 2013 legislation will be introduced in Finance Bill 2014 to introduce a personalised protection regime, individual protection 2014. Legislation was published as part of the draft Finance Bill 2014 on 11 December 2013 as well as a Guidance Note which was updated in February 2014. There are no material changes to the Finance Bill legislation published in December.

You can find more information in the [Pensions Individual Protection 2014: guidance note](#).

## **3. Pension liberation**

Legislation will be introduced in Finance Bill 2014 to give HMRC new powers to help prevent pension liberation schemes being registered, and make it easier for HMRC to de-register schemes. These include a requirement that the scheme administrator must be a fit and proper person, and a provision that surrendering rights in favour of an employer is subject to tax as an unauthorised payment.

Legislation will also be introduced in the Finance Bill to ensure that regulatory redress in the form of transfers of sums and assets to registered pension schemes under certain court orders are taxed and relieved appropriately, and independent trustees appointed at the instigation of the Pensions Regulator will no longer be liable for tax that arose before they were appointed.

These changes will have effect from 20 March 2014, except for changes relating to the fit and proper person test and regulatory interventions, which will have effect from 1 September 2014. The Government will also work with stakeholders to consider if any further legislative changes are required to combat pension liberation.

You can find more information about these changes in the policy paper [Finance Bill 2014: Measures with immediate effect in March](#).

You can find further information in the [Pensions Liberation: guidance note](#).

## **Later Bill**

### **4. Further flexibility**

Legislation will be introduced in a future Bill to allow everyone with defined contribution pension savings to draw down as much as they want from their pension funds after age 55 from April 2015 after they have taken their 25 per cent tax free lump sum. Any payment excluding any 25 per cent tax free lump sum will be subject

to their marginal rate of income tax and their pension scheme rules. The Government will consult on how best to implement this.

You can find details of the HM Treasury consultation exercise in the consultation document [Freedom and Choice in Pensions](#).

## **5. Dependants' scheme pensions**

The Government announced at Budget 2014 that it will review the Dependants' Scheme Pension (DSP) rules and undertake an informal consultation. Any changes required will be made through future legislative changes.

Representations from the pensions industry indicate that the DSP rules are complex to administer and disproportionate given the small number of scheme pension members who are likely to be affected.

We will therefore be continuing our consultations with stakeholders, on an informal basis, to develop options to simplify the tax rules and to reduce administrative burdens.

## **6. Tax relief on contributions after age 75**

The Government will explore with interested parties whether those tax rules that prevent individuals aged 75 and over from claiming tax relief on their pension contributions should be amended or abolished.

## **7. Contact details**

If you have any questions about the changes announced for Finance Bill 2014 please email: [Pensions.policy@hmrc.gsi.gov.uk](mailto:Pensions.policy@hmrc.gsi.gov.uk)