



Government Actuary's Department

Technical Bulletin

Budget 2015

19 March 2015

On 18 March the Chancellor of the Exchequer, George Osborne, presented his 2015 Budget, setting out the government's plans for the economy and public finances. This Bulletin provides an overview of some of the measures likely to be of interest.

Pensions

Creating a secondary market in annuities

The Chancellor announced an amendment to the tax rules to encourage a market in secondary annuities. The changes, which are planned to apply from April 2016, will remove the 'unauthorised payments charge' that currently applies in such circumstances. This will allow those who have already purchased annuities to assign the rights to the income from that annuity to a third party if their annuity provider consents. The original annuitant will have the option to transfer the proceeds to a retirement income product such as flexible drawdown or a flexible annuity or simply take the funds. Either way they will be taxed at their marginal rate at the point the income is drawn. Annuity buy-back, which would allow annuity contracts to be terminated in exchange for a lump sum, do not form part of the proposals due to the impact they would have on the annuity market. A [consultation paper](#) published alongside the Budget explores how this market may operate and the difficulties that will need to be overcome, for example how to ensure that the annuity provider is informed when the annuitant dies.

Taxation

The Lifetime Allowance (LTA) is the value of lifetime pension savings that can be paid before a further tax charge is levied. Budget 2015 announced that from April 2016 the LTA will be reduced to £1 million from £1.25 million, with transitional protection available. From April 2018 the LTA will be indexed annually in line with the Consumer Prices Index (CPI). The Chancellor's speech also confirmed that no changes would be made to the Annual Allowance.

Survivors' pensions

The Chancellor announced that changes would be made such that widows, widowers and surviving civil partners of certain police officers and firefighters who are killed on duty will no longer lose their survivors' benefits if they remarry, cohabit or form a civil partnership. Further consideration will be given to making similar changes for members of the security services.

Funding to support pension reforms

Additional funding of £19.5 million is to be made available in 2015-16 to support the new pension flexibilities announced at Budget 2014. This will cover the new pension guidance service, [Pension Wise](#), and extending availability of the state pension statement and pension tracing services. Plans are in place to help manage any initial spike in demand for the Pension Wise service.

Insurance

The Insurance Fraud Taskforce established in January published an [interim report](#) alongside Budget 2015. This sets out current initiatives to prevent fraud and areas that the Taskforce will concentrate on. Full recommendations and a final report are to follow later in 2015. In the meantime the Association of British Insurers and the British Insurance Brokers' Association have agreed to take

Finlaison House 15-17 Furnival Street London EC4A 1AB T: +44 (0)20 7211 2600 W: www.gov.uk/gad

forward, by the end of 2015, a recommendation that the insurance industry should update guidance on the prevention of application fraud.

The Chancellor also announced that government will work with the industry and regulators to develop a new competitive corporate and tax structure to allow Insurance Linked Securities to be domiciled in the UK.

Savings and Investment

Individual Savings Accounts (ISAs)

Further reform of ISAs will take effect in the autumn after consultation with ISA providers. These will allow savers to withdraw and replace money in cash ISAs, within a single tax year, without it counting towards their subscription limit or losing the tax protected status of those funds. The government is also continuing to explore changes to allow investment in a wider range of securities. Some additional asset classes will be permitted from the summer and consultation on further changes is also due at that time.

Help to Buy ISAs

A new [Help to Buy ISA](#) will be available from autumn 2015 as an alternative to existing cash ISAs for first time buyers purchasing UK properties. A 25% tax-free bonus on accumulated savings will apply (subject to a maximum of £3,000, with limits on both the amount that can be deposited initially and subsequent monthly deposits) where the proceeds are used to purchase a first home valued at up to £250,000 outside London and £450,000 in London. First time buyers aged over 16 will be able to open accounts during a four year period after the scheme opens but, once taken out, there will be no limit on how long a person can save for. A [factsheet](#) for potential savers is available.

Tax

The personal allowance will increase to £10,800 in 2016-17 and to £11,000 in 2017-18. The higher rate threshold will rise in line with the personal allowance, taking it to £42,700 in 2016-17 and £43,300 in 2017-18. From April 2016 a [Personal Savings Allowance](#) will apply, exempting savings income below the threshold from tax. The threshold will be £1,000 for basic rate taxpayers and £500 for higher rate taxpayers. Additional rate taxpayers will continue to pay tax on savings as at present. From April 2016 banks and building societies will stop automatically deducting 20% income tax from non-ISA savings interest.

Provisions to further strengthen measures against tax avoidance and tax evasion were also announced, including sanctions for those who facilitate and promote avoidance.

National Insurance Contributions (NICs)

As part of a wider initiative of '[making tax easier](#)' the government plans to reform [NICs](#) payable by self-employed people by abolishing Class 2 NICs and reforming Class 4 NICs to include a contributory benefit test. Consultation will follow later in the year.

Economy

Budget 2015 set out various details regarding the UK's fiscal status including projections that the UK will move from deficit to a budget surplus of 0.2% of GDP in 2018-19. Further details of the supporting analysis is contained in the Office for Budget Responsibility's (OBR's) March 2015 [Economic and Fiscal outlook](#) which was published alongside the Budget.

Budget Documents and OBR Reports

The Chancellor's [Budget statement](#), the full [Budget report](#) and other [main Budget documents](#) are available online. Further documents concerning taxation are available on [HMRC's Budget pages](#).

If you would like to discuss any of these issues in more detail or have any other questions please get in touch with your usual GAD contact.