

## The General Election Causes Last Minute Pension Changes

The government's decision to call a snap General Election for June 2017 has led to the Finance Bill being slimmed down so that it can be approved in the current sitting of parliament. Amongst the provisions removed from the Bill are two anticipated changes to pensions.

The Money Purchase Annual Allowance (MPAA) of £10,000 was to be reduced to £4,000 with effect from 6 April 2017. In addition the employer-arranged pensions advice exemption, to cover the first £150 worth of pensions advice provided to an employee in a tax year, was to be increased from 6 April 2017 to £500.

Both of these measures have been withdrawn from the Finance Bill and are yet to be implemented. It is likely that both will be revived after the election, although it is not clear whether the MPAA reduction, in particular, will still be backdated to 6 April 2017 or introduced from a future date.

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### Background

In order for the government to continue to collect taxes it is required to pass a Finance Bill each year. The timing of the snap General Election meant that there were only a few days of parliamentary time left in which to pass a whole host of legislation including the Finance Bill. Accordingly the Bill was reduced in size, and a number of items taken out, to make it less controversial and easier to pass.

### The Money Purchase Annual Allowance

Following the introduction of pensions freedoms on 6 April 2015, individuals over age 55 have been able to access their money purchase savings flexibly. The government was concerned that these pension savings might be recycled for a further round of tax relief. Accordingly it introduced the MPAA of £10,000. The MPAA is triggered when an individual first flexibly accesses money purchase benefits and acts as a tax relief limit for future contributions to money purchase arrangements. The government confirmed in the Spring Budget that it was reducing the MPAA to £4,000 with effect from 6 April 2017. Full details are set out in our recent [FYI](#). This was to affect all individuals who had flexibly accessed their money purchase savings since 6 April 2015 (including those who did so before 6 April 2017).

By removing the reduction from the Finance Bill the MPAA currently remains at £10,000. However, it is likely that if the government is returned to office, a subsequent Finance Bill will legislate for this change. What is not clear is whether the reduction would still be backdated to 6 April 2017 or take effect from some later date. Members who are subject to the MPAA, and choose to rely on it remaining at £10,000, risk incurring a tax charge by doing so.

## Employer-Arranged Pensions Advice Exemption

Under existing provisions employees can (in a tax year) receive up to £150 tax free for use solely in connection with pensions advice. In last year's Budget the government announced a new income tax exemption to cover the first £500 worth of pensions advice provided to an employee in a tax year. The new exemption was due to replace existing provisions and was not limited to pensions advice but could cover general and financial issues related to pensions. The suspension of this change leaves the previous £150 provisions in place.

Headlines in the press stated the Pensions Advice Allowance was being shelved and were misleading. The Pensions Advice Allowance, whereby members with defined contribution pension savings can withdraw up to £500 for advice in up to three separate tax years, has already been introduced by regulations from 6 April 2017 and is unaffected. Full details are set out in our recent [FYI](#).

## Comment

It is likely that both measures will be revived after the election, although it is not clear whether the MPAA, in particular, will be backdated or introduced from a future date. The government has its reasons for calling a snap election, and the delay in changes to the MPAA and the employer-arranged pensions advice exemption are merely collateral damage, while the headline issues such as Brexit take centre stage.

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