

## Money Purchase Annual Allowance Reduction to £4,000 Confirmed

In a written statement, the Financial Secretary to the Treasury has confirmed that the cut to the money purchase annual allowance will still apply retrospectively from April this year, despite having yet to enact it in legislation.

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### Background

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 money purchase annual allowance (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. 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).

### Finance Bill 2017

Following the decision to call a snap General Election in June, the reduction in the MPAA was withdrawn from the Finance Bill, meaning that the MPAA remained at £10,000. However, it was likely that if the government was returned to office, a subsequent Finance Bill would legislate for this change. What was not clear was 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 chose to rely on it remaining at £10,000, risked incurring a tax charge by doing so.

### Treasury Statement

The Treasury's statement says: "The Finance Bill introduced in March 2017 provided for a number of changes to tax legislation that were withdrawn from the Bill after the calling of the general election. The then-Financial Secretary to the Treasury confirmed at the point they were withdrawn that there was no policy change and that these provisions would be legislated for at the first opportunity in the new Parliament.

“The Government confirms that intention. It expects to introduce a Finance Bill as soon as possible after the summer recess containing the withdrawn provisions. Where policies have been announced as applying from the start of the 2017/18 tax year or other point before the introduction of the forthcoming Finance Bill, there is no change of policy and these dates of application will be retained. Those affected by the provisions should continue to assume that they will apply as originally announced”.

## Actions

Employers and trustees may wish to remind members who are affected by the MPAA of the government's confirmed intention to effect the reduction to £4,000 from 6 April 2017. Even though the legislation has not yet been enacted, it would be unwise to assume that the change from £10,000 will not go ahead from that date.

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