FYI® Alert

For Your Information®

The Autumn Statement 2022

Volume 2022

Issue 24

18 November 2022

Authors
John Dunkley
Nikki Williams

The Chancellor delivered his Autumn Statement on 17 November. While the economic outlook isn't particularly rosy, and we were forewarned of tax rises, pensions emerged largely unaffected.

Background

Less than two months have passed since the ill-fated Growth Plan was published and the government, and it's priorities, look very different. We were told to expect a combination of tax rises and spending controls in the Autumn Statement, and indeed was the case. The Chancellor promised a "balanced path to stability" but recognised this "means difficult decisions".

These difficult decisions have not extended directly to pension schemes. There were no changes announced to the lifetime or annual allowance and the basis on which tax relief is applied on contributions was similarly unchanged.

More members subject to the additional rate of income tax

The most eye-catching change from the Growth Plan came with the announcement of the 45% additional rate of tax being extended to those earning at least £125,140 from April 2023. The current threshold is £150,000 and rather than extending the scope of the additional rate, the Growth Plan had proposed abolishing the rate altogether. While generally unpopular, this move will mean that pension scheme members caught by the reduction in the threshold can obtain a higher level of tax relief on their pension scheme contributions.

More members are likely to fall within the higher rate of income tax as well, since that threshold has been frozen until April 2028, along with the personal allowance for income tax and the National Insurance thresholds.

The future of the State Pension age

The State Pension age (SPA) is legislated to increase over the next 25 years with the increase to age 67 coming into effect in 2028 and a further increase to age 68 due in the mid-2040s. There is currently a review of SPA being carried out which is considering whether the existing timetable in terms of the legislated increase in SPA to age 68 remains appropriate. The DWP will publish the review in early 2023, when it is likely that the increase to age 68 will be brought forward.

Maintaining the triple lock

The triple lock was introduced in 2010 to maintain the value of the State Pension, by ensuring it increases each year by the greater of average earnings, CPI inflation or 2.5%. The Chancellor has ended speculation on this issue by confirming the State Pension will increase by 10.1% from April 2023.

Solvency II reform

Solvency II is the EU-derived capital adequacy requirements for insurance companies. As forecast in the Growth Plan, the government has now published a consultation response setting out reforms to Solvency II, which is intended to unlock tens of billions of pounds for investment across a range of sectors.

As mentioned at the time of the Growth Plan, this could have a knock-on impact on insurer buy-out pricing.

Comment

The economic outlook clearly isn't great, with the news that the UK is now in recession, and the government will be hoping that the announcements contained in the Autumn Statement will lessen the pain over the next couple of years.

Trustees, providers and members will presumably welcome the fact that the Chancellor has refrained from treading the well-worn path of looking to pension schemes to help to fund an increase in tax revenues.

Produced by the Knowledge Resource Centre
The Knowledge Resource Centre is responsible for national multi-practice compliance consulting, analysis and publications, government relations, research, surveys, training, and knowledge management. For more information, please contact your consultant or call us on 0800 066 5433.