Published on *The National Law Review* https://natlawreview.com

UK Summer Budget – Pension Tax Changes

Article By:

Mark Simpson

Timothy Jarvis

As widely trailed, the UK government has confirmed in the Summer Budget on 8 July that pensions tax relief for those earning more than £150,000 will be severely restricted from April 2016 – relief will be tapered to a minimum of £10,000 a year.

In addition, the government announced that it is launching a consultation on the wider taxation of pensions.

The current system can broadly be described as 'exempt, exempt, taxed' with the contributions and the investment growth attracting tax relief but the payout being taxed, subject to the application of a tax free lump sum. Arguably the upfront system of tax relief favours taxpayers who pay tax above the basic rate.

Under the consultation the industry will be asked to consider whether a 'taxed, exempt, exempt' system produces a more efficient outcome. Under this system contributions would be paid out of taxed monies with the potential for a government top up but money taken out would not be taxed. This is the way in which ISAs work.

We will be monitoring the consultation closely and will be issuing further updates. Clearly the prospect of further radical reform of pensions has significant implications for the UK economy as a whole and for the public purse.

National Law Review, Volume V, Number 189