

Impact of the 2009 Budget on Self Invested Personal Pensions (SIPPs)

The 2009 budget has reduced the tax relief available to higher earners from pensions. More details will become available over the coming weeks and months, but this represents the information currently available.

Whilst the headline implementation date is April 2011 for these changes, there will be an immediate impact for anyone who meets **ALL** of the following criteria:

- Had gross **annual income of £150,000 or more since tax year 2007/8**, this is calculated by adding back deductions at source*, including salary sacrifice.
- **Increases their contributions** from their current regular contribution pattern. In this context regular contributions represent those made at least quarterly.
- Have **pension contributions in a tax year in excess of £20,000**, which includes those made directly by the individual or on their behalf by an employer or any other party.

If these criteria are met before 6th April 2011 a Special Annual Allowance Charge is incurred which effectively reduces the tax relief to basic rate tax, on all contributions over £20,000.

From 6th April 2011 all people earning £150,000 or more will be subject to a reduction in the amount of higher rate tax relief and the transitory protection for those who meet the criteria above will fall away. There will be a gradually increasing reduction in the amount of higher rate tax relief for those earning between £150,000 and £180,000, but so far there is no significant detail on this.

Notwithstanding these changes, SIPPs remain a beneficial tool even for those who fall within the above restrictions as they can benefit from;

- **Contributions:** up to £20,000 per tax year qualifies for your maximum marginal tax relief (only if you are a higher rate taxpayer) until 5 April 2011, so there is logic to using this allowance.
- **Tax efficiency:** With tax rates of 50% being introduced from 6 April 2010 the benefit of exemption from income tax will be even more compelling.
- **Choice:** A myriad of investment choices to allow you to construct the portfolio to match your investment objectives and risk profile.
- **Clarity:** Online viability and up to the minute valuation of assets available anytime you want.
- **Cost effective:** Simple, competitive low cost account and dealing charges
- **Convenience:** allowing consolidation of multiple pensions into one place for more efficient and more simple management.

More details about the changes to pensions introduced in the 2009 Budget are available of the HM Revenue & Customs website: <http://www.hmrc.gov.uk/budget2009/pensions-individuals-1550.htm>

*Contributions to a maximum value of £20,000 and Gift Aid can be deducted before remuneration level is calculated.

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