

► Annual Allowance

The annual amount which can be saved into a pension scheme and attract tax relief will fall from £255,000 to £50,000. Any excess will be charged to tax in whole or in part at 50 per cent, 40 per cent or 20 per cent depending on your taxable income and the amount of the excess and this can be deducted from the pension fund itself.

Liability is measured over the pension scheme year (Pension Input Period). For many schemes, particularly public sector, the scheme year will coincide with the fiscal tax year, from April 6 to April 5, but many schemes do not and so you need to check.

From April 2012 the lifetime allowance will be reduced from £1.8 million to £1.5 million.

► Carry Forward Rule

A new feature will ease the initial impact of the reduction in the Annual Allowance. The **“Carry Forward”** rule will enable unused annual allowance from the previous three tax years (to a maximum of £50,000 per year) to be carried forward. In theory therefore, an individual could pay in up to £200,000 in the 2011/12 tax year as long as they have sufficient earnings to cover this contribution and will get relief at the highest marginal rate.

► Age 75 Rule

Under the new regime, an individual will be able to purchase an annuity with all or part of their pension savings from age 55 with no upper age limit. In fact, they won't have to buy an annuity at all if they are able to prove they can meet a minimum income requirement test of having at least £20,000 in pension income (see Flexible Drawdown below).

► Income Drawdown

From April 6th there is now a single product which replaces both unsecured pension (income drawdown) and alternative secured pension (for those post age 75) and it is known as Capped Drawdown, which is available from age 55 and with no upper age limit. Individuals can remain in Capped Drawdown throughout their retirement. There are other changes that can affect your decision to use drawdown and you can read these in our more *detailed pension paper*.

► New Option – Flexible Drawdown

If you can satisfy a Minimum Income Requirement (MIR) then you will be able to draw down unlimited amounts from their pension pots in a Flexible Drawdown plan, subject to income tax at their marginal rate. The purpose of the MIR is to ensure that an individual entering Flexible Drawdown has sufficient secured income to avoid subsequently falling back on the state. Qualifying income includes a level annuity, basic state pension and occupational scheme pensions.



Blackstone Moregates' Reaction:

One of the biggest challenges that I believe people will face in 2011 will be getting to grips with the recent proposed changes to pensions legislation and the actions they may need to take. I personally believe that this is an excellent opportunity to review your personal retirement arrangements and if you are a professional adviser, then those of your clients.

Richard Hopkins

For a more in-depth look at the pension changes please [click here](#).