

Changes to pensions taxation and information to members

The government announced changes to the taxation of pensions in its 2015 summer budget.

These changes, and in particular the repeated lowering of the lifetime and annual allowances seen in recent years, means that it is not only the very highest of earners who need to consider their pension arrangements.

If you are likely to be subject to a pensions tax charge we recommend you seek independent financial advice before making any changes to your pension saving arrangements. You do, of course, need to consider your pension provision holistically, and therefore if you have non-USS pension benefits they should be part of your overall pensions and tax planning.

This update provides a very brief overview of the changes to tax allowances; should you feel you need more information you are encouraged to read the detailed factsheets and material which can be found on the USS website.

Included within this pack is an overview of the changes, as set out in four mini factsheets. A summary of the content is offered below.

Annual allowance (AA) and the effect of the taper

The limit on the amount you can save on an annual basis has remained unchanged for the 2015/16 tax year, however the period over which your benefits are assessed has been specified as 6 April to 5 April (previously it was for the scheme to determine this period and for USS that means a change from the current assessment period, which is 1 April to 31 March).

From 2016/17 onwards, the AA will be tapered from £40,000 per annum to £10,000 per annum where your taxable income (plus the value of all USS and non-USS pension savings) exceeds £150,000. The mini factsheet focuses on the application of the taper.

Lifetime allowance (LTA)

From 6 April 2016, the maximum amount of benefit you can build up before it is subject to an LTA charge will reduce from £1.25m to £1m. This means it is possible for a larger number of people to reach or already exceed the LTA threshold.

HMRC will allow members to protect the value of pension savings above £1m with fixed and individual protection. There will be special arrangements in place for members drawing on pensions between 6 April and 31 July 2016 when benefits exceed £1m.

Enhanced Opt Out (EOO)

Enhanced opt out will be available for all members from 1 April 2016. Those members considering Fixed Protection 2016 may need to consider taking active steps to make an EOO election with effect from 1 April 2016. The deadline for receipt of an EOO form for this purpose is 29 February 2016.

Voluntary Salary Cap (VSC)

This is a new feature of USS intended to meet a specific and practical aim of allowing members to manage their annual pension accrual when annual allowance or lifetime allowance limits might lead to a tax charge being incurred.

Further information to support the VSC will be published early in 2016 ready for an implementation date of 1 October 2016.

Key dates to note

Changes to pensions taxation

- **January-February 2016** - HMRC to give guidance on the interim process for temporary applications for Lifetime Allowance protection.
- **29 February 2016** - Closing date for elections for EOO to be effective from 1 April 2016.
- **16 March 2016** - Chancellor's Budget statement – which may result in additional changes to pensions tax relief.
- **1 April 2016** - Enhanced opt out elections are implemented.
- **6 April 2016** - The LTA threshold of £1M becomes effective.
- **6 April 2016** - Fixed Protection (FP) and Individual Protection (IP) 2016 elections become effective.
- **6 April 2016** - Annual allowance taper introduced.
- **July 2016** - HMRC launch online self-service system for FP and IP 2016 applications.
- **1 October 2016** - Voluntary salary cap implemented.
- **6 October 2016** - Annual allowance statements for the 2015/16 year due.