



ACA welcome significant advances made in pensions tax regime...

ACA CALLS FOR NO DELAY IN INTRODUCING PENSION TAX REGIME IN APRIL 2005

5 March 2004: The Inland Revenue's proposed reforms to pension taxation are welcomed as a significant step towards simplifying legislation and removal of red-tape, says the Association of Consulting Actuaries (ACA) in their response to the latest consultation paper on simplifying pension taxation. The Government should act quickly by a statement in this year's Budget to confirm that the changes will go ahead, and should minimise the period of planning blight by introducing the changes in April 2005.

Speaking about the ACA's formal response to the Inland Revenue consultation, which was submitted today, Brian Wilson, Chairman of the ACA Pensions Taxation Committee said:

"We have told the Revenue that we are very much welcome the changes that have been made to their proposals over the last 12 months. It shows that consulting over major changes such as this can improve on government initiatives. The previous major regime changes to pensions introduced by the Inland Revenue, in 1987 and 1989, were not consulted on in advance and have lead to necessity for the current changes.

"Meeting an implementation date of April 2005 will be a challenge to all in the pensions industry, but the ACA believe it is one that can be met, particularly if

the *Pensions Bill* changes being brought in the Department for Work and Pensions are introduced in phases from April 2005 to April 2006."

The ACA response makes a number of detailed policy proposals and also notes that the ACA is disappointed that the Lifetime Allowance will only be increasing in line with the RPI. This will inevitably bring large numbers into the "complex" area of benefit and tax planning for alternatives to pension accrual. The ACA is convinced that the increasing complexity of the new system over time will warrant a rethink sooner rather than later.

The ACA is also disappointed that there is no proposal for a regular review of the Lifetime Allowance in the light of improvements in mortality and consequential reductions in market annuity rates.

"However, we are happy that accrued FURBS benefits will be protected outside the new system (apart from the unfortunate increased taxation during roll-up) and will not propose that any further consideration should be given to integrating FURBS with the new tax regime," said Brian Wilson.

He added, "we think that it is essential that there is a provision that enables schemes to amend existing rules so that they continue to apply after A-Day in the same manner in which they applied before A-Day, in terms of limits placed on benefits where these are currently restricted by reference to Inland Revenue limits. A general exemption from the provisions of s67 of the Pensions Act may not be sufficient if its scope is limited to those changes *required* by the Finance Act 2004. It needs to go further and to cover any changes that are made consequential to the changed taxation regime, provided that the member's benefits would not be worse after the changes than they would have been if the regime change had not occurred."

The ACA paper also says that whilst the transitional arrangements are fair, the ACA would be unhappy if early retirements before age 55 are retained by the public sector but prohibited for the private.

Copies of the *ACA response to the Tax Simplification Paper* are available at www.aca.org.uk

For further details:

Comment on the Tax Simplification Paper response:

Brian Wilson	01372 733986
Andrew Vaughan	020 7977 8427
David Robertson	020 7248 3163

Note to Editors:

Members of the **Association of Consulting Actuaries (ACA)** are advisers to UK pension schemes with assets in excess of £650 billion, including the vast majority of larger schemes and thousands of smaller arrangements. The ACA forms the largest national grouping of consulting actuaries in Europe.