

CYNGOR SIR POWYS COUNTY COUNCIL.

Pensions and Investment Committee
25th November 2010

REPORT BY: Strategic Director, Finance & Infrastructure

SUBJECT: Restrictions on Pensions Tax Relief

REPORT FOR: Information

- 1 HMRC and HM Treasury have published proposals for the restriction of tax relief on pensions, to be effective from 6th April 2011. There are two principal proposals.
- 2 The Lifetime Allowance (currently £1.8M) will be reduced to £1.5M. This reduction is of little consequence to the vast majority of LGPS members.
- 3 The Annual Allowance (currently £255,000) will be reduced to £50,000. The Annual Allowance is the amount by which 'pension pots' may increase, in capital terms, over a tax year. This proposal:
 - May result in some scheme members facing tax bills, particularly where an individual has a succession of promotions or where there are successive large increases to AVC Funds
 - Will require the Council to provide additional data to Scheme members in respect of the changes to capital values of pension rights.
- 4 Capital values are established by adding together:

(annual pension x 16) + lump sum + AVC Fund.

Where the change in capital value exceeds £50,000 from one tax year to the next, the member may be subject to a tax charge. However, unused annual allowances for the previous 3 years can be used to offset amounts above the annual allowance.
- 5 Responsibility for reporting breaches of the annual allowance and payment of any tax charges will rest with individual members. The Council will be required to ensure that Scheme members are provided with the appropriate information to complete self-assessments.

Recommendation:	Reason for Recommendation:
To note contents of the report	

Person(s) To Action Decision:	
Date By When Decision To Be Actioned:	

Relevant Policy (ies):	N/A		
Within Policy:	N/A	Within Budget:	N/A

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Relevant Portfolio Member(s):	Councillor Tony Thomas
Relevant Local Member(s):	