# Queen Mary University of London
# New pensions tax to be introduced from 6 April 2011

The Government is introducing new rules for the taxation of pension savings, which will take effect from 6 April 2011:

**New lower tax-effective pension savings limits**

**Annual Allowance**

- Current level (2010/2011 tax year) **£255,000**
- Reduced level from 6 April 2011 **£50,000**

**Lifetime Allowance**

- Current level (2010/2011 tax year) **£1,800,000**
- Reduced level from 6 April 2012 **£1,500,000**

The **Annual Allowance** is the maximum amount by which the value of your pension benefits from all sources (excluding any State pension) can increase in any one tax year without incurring a tax charge.

The **Lifetime Allowance** is the limit on the total value of retirement benefits that you can draw from approved pension schemes before tax penalties apply.

**NEW LOWER ANNUAL ALLOWANCE**

The Annual Allowance is being reduced from £255,000 a year to £50,000 a year. As this is a big drop, many more people in pension schemes will be impacted than previously.

**What could this mean for you?**

You may face additional tax in future if any or all of the following apply to you:

- The equivalent cash value of the pension you build up in an individual year exceeds **£50,000**.
- You make Additional Voluntary Contributions ('AVCs') that supplement the value of your pension and take you above the **£50,000** limit.

**What if you are affected?**

If you are affected by this change, you will need to pay tax at your marginal rate of income tax on excess pension contributions or pension built up above the new Annual Allowance.

The Government will allow you to look back over the previous three years and carry forward any unused allowances in order to offset it against the amount by which you are exceeding the Annual Allowance. For this purpose, your Annual Allowance for each of the three prior tax years is assumed by the Government to be £50,000.

If you have to pay extra tax, it will be declared and collected through your personal tax return process at the end of each tax year (even if you do not currently complete a personal tax return).

**This is a personal tax for which Queen Mary has no responsibility.**

**You may also consider obtaining Independent Financial Advice in relation to your personal position.**

**Are you likely to be affected?**
We have done a preliminary analysis of the members of the NHS and USS pension schemes and, based on our information **which relates only to these pension arrangements**, we anticipate that relatively few of our employees will be impacted by the new lower limit.

You are most likely to be affected if any or all of the following apply to you:

- you have a relatively high pensionable salary
- you get a relatively large increase in your pensionable salary, as an example due to promotion
- you have many years of service in the scheme
- you have additional pension plans possibly from other employments or private income
- you make substantial AVCs to the scheme or to your own personal arrangements.

**NEW REDUCED LIFETIME ALLOWANCE**
The Government has also announced that it is reducing the limit above which it will tax people at retirement on their total lifetime pension savings. This Lifetime Allowance is currently £1.8million, but will reduce to £1.5million from 6 April 2012. To the extent that your total pension savings (from all sources) exceed £1.5million, the current tax is 55% of savings taken as cash, and your marginal rate of income tax plus an additional 25% on any savings taken as pension income.

If you already have total pensions savings close to or above this Lifetime Allowance, you will have the option before 6 April 2012 to select protection against tax for your current savings. You may have substantial personal pension savings or pensions with other employers that count towards the Lifetime Allowance. At present we do not necessarily know about these pension savings.

**IF YOU HAVE INCOME ABOVE £130,000 IN THE CURRENT TAX YEAR (2010/11)**
If you expect your total income for the 2010/11 tax year to be £130,000 or more, you may be aware that you must take care about your pension savings in this tax year so as not to trigger additional tax under what is called the "anti-forestalling" rules. These specific rules will no longer apply from 6 April 2011.

**SEMINARS**
You are invited to attend one of the seminars being run by the College on the following dates:

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| **25th March 2011, 11am – 1pm** | **Francis Bancroft: David Sizer, Lecture Theatre** | **Mile End** |
| **4th April 2011, 9:30am – 11:30am** | **John Ellis Lecture Theatre, basement, Alexandra Wing (under A & E)** | **Whitechapel** |
| **4th April 2011, 2:30pm – 4:30pm** | **Lecture Theatre Room G02, Joseph Rotblat building** | **Charterhouse Square** |

**Further information can be obtained from the scheme websites:**

**USS**
http://www.uss.co.uk/Factsheet%20List/Limits%20to%20tax%20relief%20and%20tax-free%20benefits.pdf

**NHS**
http://www.nhsbsa.nhs.uk/Pensions/Documents/Pensions/Pensions_Tax_changes_factsheet.pdf

**QUESTIONS?**
If you have any questions in the meantime, please contact either:

pension@qmul.ac.uk

Or

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