



Increase in the annual allowance

Background

From 6 April 2023 the annual allowance (AA) is to be increased from £40,000 to £60,000 with the ability to carry forward any unused AA from the previous three years being retained.

The minimum allowance, where an individual is impacted by the tapering of the AA, is to increase from £4,000 to £10,000 effective from 6 April 2023.

Also, the money purchase annual allowance (MPAA) is to increase from £4,000 to £10,000, effective from 6 April 2023.

Bear in mind this isn't yet legislation, the Finance (No. 2) Bill is likely to receive Royal Assent, and become law, around early Summer.

Limiting the upside

There's potentially a two-year window, and certainly one tax year, to maximise the opportunities provided by the proposed changes.

Opportunities

- 50% increase in AA
- 150% increase in minimum tapered AA and MPAA
- Potential to fund up to £180,000
- Certain individuals with enhanced or fixed protection can start funding their pension
- Individuals no longer impacted by tapering
- Less impact of tapering on some others
- Personal allowance – clawing back
- Additional rate tax threshold reduction
- Recommence funding for those with LTA concerns
- Alleviate some of corporation tax increase with employer contributions



Action

- Identify clients who currently maximise their pension savings or who have ceased funding their pension due to the perceived negativity surrounding the lifetime allowance.
- Identify those clients who hold certain forms of LTA protection.
- Engage with family businesses who fund pensions.