

Sixty second summary

Budget 2020

Chancellor of the Exchequer Rishi Sunak's first Budget was understandably focused on the Government's response to the coronavirus outbreak. Despite that, he made time for one pensions-related announcement (alleviating the ill-effects of the tapered annual allowance), and there are other nuggets contained in the documents accompanying his Budget Statement.¹

Tapered annual allowance

The Government plans to deal with the doctor-disincentivizing effects of the annual allowance taper by increasing threshold income (broadly, taxable income before taking into account tax-relieved pensions accrual) from £110,000 to £200,000, and adjusted income (taxable income plus pensions growth) from £150,000 to £240,000, effective from 6 April 2020. On the flip side, it will be possible for the taper to reduce a person's annual allowance to as low as £4,000 (in this respect the floor is currently £10,000). Although the changes were prompted by a crisis in the NHS, they will apply to everyone. The Government has shelved its plans to allow the senior NHS clinicians to receive higher pay in lieu of pensions accrual.

Lifetime allowance

As a result of the indexation provisions introduced by the *Finance Act 2016*, the lifetime allowance for the tax year 2020/21 will increase (in line with the Consumer Prices Index) from £1,055,000 to £1,073,100.

Contributions tax relief quirk

The Conservative and Unionist Party promised, in its general election manifesto, to investigate ways of removing the anomaly in the treatment of non-taxpayers under the net-pay and relief-at-source systems for contributions tax relief. The Budget document says that it 'will shortly publish a call for evidence on pensions tax relief administration.'

RPI reform

Also as promised, Her Majesty's Treasury and the UK Statistics Authority (UKSA) have published *A Consultation on the Reform to Retail Prices Index Methodology* to coincide with the Budget.² The UKSA continues to propose to make the RPI a virtual clone of the CPIH (the Consumer Prices Index variant that includes a measure of owner-occupiers' housing costs). It can do so unilaterally in 2030; the consultation document asks about the implications (especially for holders of index-linked gilts) of the Government allowing it to make the change earlier, at some point between 2025 and 2030, and seeks views on the UKSA's proposed technical approach.

The big news was the detail of the Government's (much-leaked) plan for the annual allowance taper. Its solution moves rather than removes the problem: those with incomes under £200,000 will be safe, and the maximum reduction to the allowance will be experienced once taxable income plus pension accrual reaches £312,000.

¹ A transcript of the Chancellor's speech can be read at <www.gov.uk/government/speeches/budget-speech-2020>; the full Budget document is available at <assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/871799/Budget_2020_Web_Accessible_Complete.pdf>.

² <assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/871691/RPIM_final.pdf>.