



---

**June 2010**

## **Emergency Budget Impact on SIPPs**

Along with the majority of the industry, IPM feels that, in general, the emergency Budget was an encouraging one for SIPPs. The coalition Government made announcements on two key areas in relation to pensions; contribution tax relief for high earners and interim measure for those individuals who reach age 75 on or after budget day.

The Special Annual Allowance rules (the maximum tax relievable annual pension contribution payable by an individual, or on their behalf) introduced in the 2009 Budget brought about another layer of complexity for higher earners who wanted to make pension contributions. The announcements made in the 2010 emergency Budget indicate that the Government is willing to work with the industry to bring in fairer, simpler rules regarding contribution tax relief.

The proposal is to set an annual allowance of between £30,000 and £45,000. Personal contributions paid within the limit will receive tax relief at the member's marginal rate of tax. For some, this would be at the rate of 50%. These rules are yet to be introduced and it has been suggested that further announcements would be made on this issue prior to summer recess.

In a more anticipated move, the emergency Budget started to tackle the age 75 rule. Transitional rules have been introduced for people who reach age 75 on or after 22 June 2010 that will allow them to continue to receive pension from their SIPP (unsecured pension "USP") up to age 77. This will mean that there is no dramatic drop in the maximum income at age 75, to move from USP to alternatively secured pension (ASP). It is important to note however that an individual must take their full entitlement to the pension commencement lump sum (tax free cash sum) at age 75 and no further contributions can be made past this point.

With the change comes a major reduction to the taxation of the residual fund following the death of the member post age 75. Under the old provisions, a lump sum paid to anybody other than a registered charity was potentially subject to tax of 82%. The new rules reduce this figure to 35%, allowing substantially more of the member's fund to pass on to the next generation.

Unfortunately, for those individuals who had reached age 75 before 22 June 2010 there is no change and the old rules still apply.

These transitional arrangements give the Government time to finalise the new rules surrounding these issues and we hope to be able to issue further clarification on this later in the year.

**Please note that the information given above is IPM's view on current legislation only and should not be taken as a definitive statement of law.**

I.P.M. SIPP Administration Limited, Cintel House, Watton Road, Ware, Herts, SG12 0AD  
Telephone - 0845 130 3443 Facsimile - 0845 230 3443 Email – [info@ipm-pensions.co.uk](mailto:info@ipm-pensions.co.uk)  
Website – [www.ipm-pensions.co.uk](http://www.ipm-pensions.co.uk)

Company No. 3002939 Registered in England Member of the Association of Member-Directed Pension Schemes

I.P.M. SIPP Administration Limited is Authorised and Regulated by the Financial Services Authority