

Technical News Update

We start the new decade with a ‘sort-of-new’ Conservative Government. After winning the Christmas general election with a fairly substantial majority, the Government is in the position to follow through on its manifesto promises.

Top of its list is undoubtedly leaving the EU. And in its first few days of power, the Government ploughed ahead with the EU (Withdrawal Agreement) Bill. However, the remainder of its manifesto promises – especially those relating to savings and investments – seem somewhat sketchy in detail.

So, what changes can we expect in 2020?

No changes for state pension

All the political parties’ manifestos promised to maintain the triple lock guarantee for increases to the state pension. And it would take a brave politician to go against this. The Conservatives also promised to maintain winter fuel payments and bus passes for the older generation. But they are keeping to their stance of passing responsibility to the BBC for whether TV licenses for the over 75s should be free.

They were also very quiet about the state pension age – so it looks like the increases to 67, due in the mid-2020s, will continue as planned.

March budget

The Government will hold a budget in March. It had promised there would be no increases in Income Tax or VAT. And that the NI threshold would be raised to £9,500 in 2020/21.

A couple of manifesto promises directly affected the pension tax rules. The first concerns the controversial tapered annual allowance. The Government has promised to – within its first 30 days – hold an urgent tax review to ‘solve the taper problem’ for NHS clinicians. In the run-up to the general election the NHS announced that clinicians affected by annual allowance charges could ask the scheme to pay the charge, and any tax would be repaid to the scheme on retirement, leaving their benefits unaffected. Unsurprisingly, clinicians are asking for some type of legal guarantee that a future government will keep good on that promise.

But it appears this isn’t enough. The BMA is asking the Government to address the problem urgently, and is asking for “immediate and fundamental taxation reform”. The ball is firmly back in the Government’s court and the outcome of the review will be announced in the budget. We would like to see a far-reaching solution that solves the problem of the tapered annual allowance across the board for all public and private sector workers – not just a niche (albeit important) group.

The other pension tax issue is to find a solution for around 1.7 million lower earners who are members of ‘net pay schemes’ and do not receive any tax relief on their pension contributions (whereas if they contributed to a scheme that operated on a ‘relief at source’ basis, they would receive a 20% boost from the Government regardless of their tax position). The Government has promised to review the situation.

Resurrecting the Pension Schemes Bill

Early in the New Year, the Pension Schemes Bill re-entered Parliament. (This had been previously discarded when the election was called.) This aims to provide increased Pension Regulator (TPR) powers to tackle errant company bosses, as well as tighten up the rules around the statutory right to transfer, in order to prevent sham transfers. It’s expected the member will have to prove their employment link to the new scheme by providing payslips and bank statements. However, the new rules need to be drafted carefully to allow for exemptions (say for transfers to personal pensions) but to stop scammers from exploiting any loopholes.

The new Bill introduces pensions dashboards legislation, and we expect secondary legislation to compel in some way all schemes to provide data to the dashboards.

Social care

Finally, the Government has also promised a long-term reform of social care, and in particular that no-one who needs care has to sell their home to pay for it. The Government wants to do this by developing a cross-party consensus. It will be interesting to see the details of this reform and what it means for savings and investments – tax rules for a ‘care ISA’ or ‘care pension’ may form a part of the proposals.



Tax treatment depends on your individual circumstances and rules may change.

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