

Budget 2016 Pensions Headlines

As the Treasury's briefing of journalists had led us to expect, the Chancellor of the Exchequer announced no radical changes to pensions tax relief in his 16 March 2016 Budget. However he did announce an alternative approach for retirement saving for younger people.

Lifetime ISA

Lifetime ISAs will be available to those aged under 40 on 6 April 2017. A maximum of £4,000 per year can be invested and a Government contribution of 25% of the individual's contribution will be available until they reach age 50.

Tax free withdrawals will be available to put towards purchase of a first home or from age 60 for retirement purposes. Withdrawal in other circumstances would result in the loss of the Government bonus and a 5% penalty, however the Government plans to consult on other circumstances in which tax free withdrawal could occur.

Pensions Dashboard

The Government will ensure that the pensions industry launches a 'pensions dashboard', on which a person will be able to obtain information about their total retirement savings, by 2019.

Freedom & Choice

Following on from the "Freedom & Choice" changes which were introduced in April 2015 the Chancellor announced some amendments to legislation which will tidy up the rough edges of previous legislation and ensure that the provisions work as intended.

Other items of interest:

- the personal income tax allowance for the 2017/18 tax year be £11,500 (it was already set to rise to £11,000 for 2016/17);
- the higher-rate threshold for 2017/18 will be £45,000;
- the part of any termination payment that is subject to income tax will also be subject to National Insurance contributions from 6 April 2018; and
- the Government is considering limiting the range of employment benefits that can be paid for by salary sacrifice, but this will not affect pension contributions (or employer-supported childcare, or healthy options such as cycle-to-work schemes).