

Press Release

Pre budget tax change could act as a disincentive for pension contributions

24th November 2008

A J Bell, one of the UK's leading SIPP providers, believe that the new rate of income tax of 45% on income over £150,000 (from 6/4/2011) could act as a disincentive for pension contributions over the short term.

Billy Mackay, Marketing Director of A J Bell comments, "It seems clear that the Government want to reduce the incentive to save over the short term. This could influence the pattern of pension contributions. People who earn in excess of £150,000 may choose to defer pension contributions until the 2011/12 tax year when they will benefit from tax relief at the higher rate."

Other pre budget news includes:

- Confirmation that the Lifetime Allowance and Annual Allowance will stay at £1.8 million and £255,000 respectively for another five tax years.
- VAT to temporarily reduce from 17.5% to 15% between 1/12/2008 and 31/12/2009.

Mackay continued, "Some may be surprised that the Lifetime Allowance and Annual Allowance will not increase after 2010/11, we would look at this as positive news that it has not been reduced. The changes to VAT will reduce administration fees on SIPPs, which are subject to VAT, although we would not expect the impact to be significant."

END

Notes for Editors

Pictures available here or by contacting kirsty.zollinger@ajbell.co.uk

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