

Press release

A J Bell warns on Early Access tax charges

28/02/2011

Low cost SIPP provider A J Bell has warned that inappropriate tax charges may arise from Government proposals to allow early access to pension schemes.

In a consultation HM Treasury has suggested four options allowing savers to access all or part of their pension fund before they reach their minimum pension age.

In correspondence with A J Bell, HM Treasury has confirmed that two of the options could lead to lump sum death benefits paid from the fund being subject to a 55% tax penalty.

The two options - early access to the 25% tax free lump sum, and the option to permanently withdraw funds in the case of financial hardship - would both be seen as a benefit crystallisation event (BCE) under the current proposals. The BCE would move the remaining fund from a position where no tax was paid on lump sum death benefits to one where a 55% tax charge would be imposed.

A J Bell Marketing Director Billy Mackay says, "We support the Government's efforts to encourage increased saving and understand that the ability to access some or all of a pension prior to the normal minimum pension age may encourage some individuals to save. Our concern is that any solution that is structured to help in cases of immediate financial hardship, but then applies a 55% tax to the residual fund on the death of the pension investor must be flawed."

Mackay continued, "I would question whether there is genuine appetite from consumers for these options as they stand. If the Government is going to offer this option, the rules need to be established so that lump sum death benefits paid from the remaining fund are not subject to the 55% tax penalty, at least until the pension scheme member has reached their normal minimum pension age."

END

Please note this document is intended for trade and national press individuals.

Notes for Editors

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A J Bell is continuing to grow rapidly in challenging capital markets. Invesco Perpetual and Midas Capital own 37% and 10% respectively of the share capital, the remainder being owned by Andy Bell and the management team.

Established in 1995, A J Bell specialises in providing administration, trustee and actuarial services for SIPP and SSAS.

A J Bell is now the largest privately owned provider of self administered pensions and institutional stockbroker services in the UK, with in excess of 48,300 individual SIPPs and assets under administration exceeding £13.7bn. It also provides third party SIPP administration services for Barclays Stockbrokers, Halifax Share Dealing, Skandia and TD Waterhouse.

Our customer proposition - Market leading, low cost, transparent, service, value, choice, leading functionality, integrity, award winning.

Our business - Market leaders, growing, innovative, own intellectual property, profitable, stable, we don't provide advice or investment management.

Research by CoreData Research places Sippcentre alongside Standard Life as advisers' two most preferred SIPPs.



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The companies listed in the adjacent table are all registered in England and Wales at Trafford House, Chester Road, Manchester M32 0RS.

Company	Company Number	VAT Number
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A J Bell Limited	3091664	639 0316 44
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