



HOUSE OF COMMONS  
LONDON SW1A 0AA



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*Mr Andy*

Thank you very much for your letter concerning Alternatively Secured Pensions in which you argue for a change in the complex and punitive tax treatment of the lump sum payment on death.

As you know, the Government originally introduced ASP to end the compulsory annuitisation at age 75 because of the theological objections of the Christian Brethren to annuities. The Government, having introduced this change, have consistently sought to dissuade people from using it. Initially, the strong message from the Government and the FSA was that they were only available to people professing particular religious beliefs. This was clearly nonsense as it was discriminatory.

The second step they took was to increase the tax charge on lump sum payments on death to 82%. We debated this at some length during the passage of the Finance Act 2007. Whilst the Government left ASPs in place, the rate was set at 82% to discourage people from using them.

You argue a powerful case for the reform of the tax treatment of the lump sum payment on death, but we have yet to formulate our tax policy in this area. I would point out, however, that we have supported in this Parliament and the last efforts by Conservative MPs to end compulsory annuitisation and this was also a commitment in our 2005 manifesto. In addition, we have used recent Finance Bills and Pensions Bills to argue the case for giving people greater flexibility on the use of their pension fund.

We will look at this area very carefully in drawing up the manifesto for the next election, but I do recognise the strength of the arguments that you make.

Yours sincerely

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