

## Article

# Annual allowance reduction - dream or nightmare?

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A glance at the dictionary will tell you that a “democracy” is a system of government based on the principle of majority decision making.

The hot topic of the moment is without doubt the coalition government’s Budget and the possibility of further changes to UK pension incentives.

As can be seen from my previous blogs we at A J Bell believe, along with the majority of our industry, that the government should simply reduce the annual allowance to £50,000.

In advance of the Budget we asked all Sippcentre registered advisers for their view on how tax relief should be restricted, either via the Labour government proposed taper system or by a reduction to an annual allowance of £50,000.

The response was overwhelming, with 96 per cent in support of our proposal to reduce the annual allowance.

Some months back we sent a Freedom of Information request to HM Treasury seeking clarification of the number of respondents that backed the taper system versus a reduced annual allowance.

HM Treasury initially refused to provide this information on the grounds that they did not deem it to be in the public interest.

We persevered because we believed the figures would demonstrate the lack of support, outside the Treasury, for this complex system.

The HM Treasury’s response confirmed that not a single respondent out of 99 specifically indicated their support of the taper system over the reduced annual allowance.

In my simple mathematic mind, and to keep the comparison consistent, that roughly equates to zero per cent.

Also, in spite of the consultation not prompting comments on a reduced annual allowance, over 33 per cent of respondents mentioned this option.

Core to the argument of reducing the annual allowance is the simplicity of the solution.

It can be achieved with only minor changes to the existing pension framework and would prevent excessive tax relief from being granted to the highest earners.

If you ever find yourself in a dream state you could see a return to democratic decisions and common sense driving pensions policy.

Come the 22nd, will it feel like the continuation of a nightmare or the start of a dream?

Billy Mackay is Marketing Director at A J Bell

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

### Notes for Editors

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