

Pensions November 28 2019

Pensions to be the polling station winner

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As Amy Austin wrote on FTAdviser: "The net pay/relief at source issue means that workers earning less than £12,500 may miss out on pension tax relief if their scheme or provider uses the 'net pay arrangement' method of delivering tax relief rather than the 'relief at source' method."

This is because the NPA does not pay tax relief to members who are below the income tax threshold, whereas relief at source does.

And, since former chancellor Philip Hammond raised the income tax personal allowance to £12,500, which is above the auto-enrolment minimum threshold of £10,000, this anomaly has become more problematic.

Baroness Ros Altmann, former pensions minister, commented: "This is not just an 'anomaly', it is a significant injustice. More than a million workers (mostly women), who earn less than £12,500 a year with any employer, are currently being charged an extra 25 per cent for their auto-enrolment pension.

"These workers do not realise they are paying so much more than they really need to and could have more take-home pay if their employer used an

alternative pension scheme."

Also, the Conservatives said they would fix the tapered annual allowance which is affecting doctors' pensions, but have stopped short of promising to scrap the taper altogether.

Taxation

As usual, the power of the pound in our pockets was also headline-grabbing news. The Liberal Democrat party said it would scrap the capital gains tax allowance to make the tax system "fair to all".

The Green Party proposed to merge national insurance, capital gains tax, inheritance tax, dividend tax and income tax into one 'consolidated income tax' where all income is treated the same for tax purposes.

This may cost £22bn to implement but would bring an extra £20bn a year into the public purse by closing tax avoidance loopholes.

Other election proposals at-a-glance

Conservatives:

A fix to the tapered annual allowance which is affecting doctors' pensions.
Scrapping plan to cut corporation tax from 19 per cent to 17 per cent.

Greens:

Build 100,000 zero-carbon homes.
A Universal Basic Income for all adults, regardless of their income.

Labour:

Creating a publicly owned pensions dashboard.
Build 100,000 council homes and 50,000 affordable homes.
Workers on more than £80,000 will be hit with an additional tax.

Liberal Democrats:

Raise £7bn a year by adding 1p on the basic, higher and additional rates of income tax.
A review of the recent proposals to change the IR35 rules.

The Conservatives seemed to be "fairly static on changes to tax", according

to Nimesh Shah, partner at Blick Rothenberg. With an £868 increase to the National Insurance primary threshold, taking this to £9,500, the Tory party has promised an annual £104 tax cut across the board for workers.

Moreover, there have been pledges to keep income tax, National Insurance and VAT under their Triple Tax Lock.

However, Mr Shah was disappointed that Boris Johnson's leadership pledge to increase the basic rate income tax band to £80,000 was absent from the manifesto. Mr Shah explained: "This measure would have given a tax cut of up to £6,000 but was estimated to cost the Treasury around £8bn.

"The proposal appears to have been dropped completely, and it's difficult to now see if this measure will be introduced."

Long-term care

Along with personal wealth and pension arrangements, the need for funding long-term care is an increasingly important issue. Advisers have been warning of the need for people to make suitable arrangements themselves, as the welfare state can no longer properly support the burden of an ageing population living for longer in ill health.