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## NHS pension taper trap is 'canary in the coalmine', says Altmann

The NHS pension tax trap is a 'canary in the coalmine' and could pave the way for broader reform to savings policy, according to former minister for pensions Ros Altmann.

By [Ollie Smith](#)  
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Recent troubles encountered by NHS doctors regarding working hours and pay have partly been exacerbated by the government's [tapered annual allowance](#) for higher earners, introduced at the 2016 Budget by then-chancellor George Osborne.

The taper itself is a £1 reduction in the annual allowance for every £2 of adjusted income over £150,000. Once someone has an adjusted income of £210,000, the tapered annual allowance reaches £10,000 and will not reduce any further, even if someone has an adjusted income of more than £210,000.

In a blog online outlining her thoughts on pension policy, former minister for pensions Altmann described the saga as a 'canary in the coalmine' and said that addressing it could

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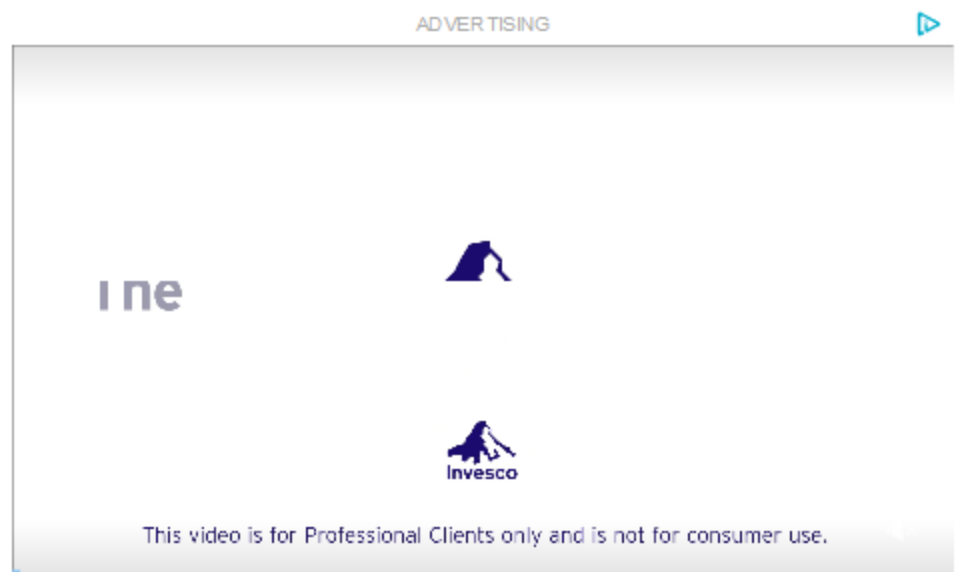


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pave the way for much broader savings reform.



'The NHS is perhaps the canary in the coalmine alerting government to rising pension dangers,' Altmann said.

'By signalling the damaging effect of attempts to clamp down on pension tax relief for higher earners under the current system, the government may decide that pension incentives and tax rules need a broader review. Rather than trying to reform the tapered annual allowance and lifetime allowance just for medical staff, ministers may be tempted to revive reforms of pension incentives considered in 2015/2016.'

Altmann added that the case showed how the tapered annual allowance 'should be radically rethought and perhaps abolished.' A system of 'one nation' flat-rate pension tax relief could take its place, she added.

'One tax relief reform option often favoured is the abolition of higher rate tax relief and National Insurance relief, which currently do not seem well understood and, therefore, are inefficient incentives,' she said.

'With a cost to taxpayers of over £50bn a year, most of which is spent on the highest earners, this may be an attractive option. Moving to a more transparent system with a uniform amount that the government adds to each person's pension contributions – maybe 30p added for every £1 contribution – would be more generous than basic rate tax relief, less than higher rate relief and much easier to understand. This would, therefore, give better pension incentives to the majority of the workforce, while still offering good additional money for higher earners' pensions too.'

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In its manifesto for the 12 December election last year, Altmann's party pledged that it would fix the NHS taper trap within 30 days of taking office, a time limit rapidly running down. 30 days runs out on Saturday 11 January.