

PDQ

# The 2012 Budget – Summary of pensions-related changes

## Automatic enrolment

As initially announced by the Pensions Minister Steve Webb last year, the timetable of staging dates on which the new automatic enrolment regime commences to apply to employers will be amended so that “no small employers (fewer than 50 employees) are affected by the reforms before the end of this Parliament”.

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The personal income tax threshold will rise from £7,475 to £8,105, and then again to £9,205 in the 2013-14 tax year. The Chancellor is targeting the figure of £10,000 for the future. If the earnings trigger for automatic enrolment is set at the personal income tax threshold (a question which is currently subject to consultation), the number of employees subject to the automatic enrolment regime could well be less than anticipated.

## Infrastructure investment

The Treasury has confirmed, as per last year’s Autumn Statement, that it is supporting the establishment of “a new Pension Infrastructure Platform owned and run by UK pension funds” to direct pension scheme assets into infrastructure investment. The first part of its initial £2 billion investment is hoped to come on stream by early 2013. In addition to the group including the PPF, a second group of schemes has presented proposals to the Treasury for increasing pension plan investment in infrastructure in the construction phase.

## Higher-rate relief on pension contributions

Contrary to press speculation, there is to be no change to the rules on tax relief on pension contributions for higher-rate taxpayers. There is also no further change to the annual allowance although there will be some technical changes to the annual allowance legislation.

### **Asset-backed pension contributions**

Asset-backed contributions typically take the form of contributions to a pension scheme deriving from an income stream from a non-cash asset such as a piece of property. The Budget announced the latest in a series of recent changes in this area. The relevant legislative amendments will be published in the Finance Bill on 29 March, and will be back-dated to Budget day. HMRC has issued a summary of the proposed changes.

### **The State pension**

As originally proposed by the Government last year, the current two-tier State pension system will be simplified to a single-tier pension for all future pensioners worth around £140 per week. The proposal is said to be cost-neutral. The reform will remove the *raison d'être* for contracting-out (which presupposes the existence of the State Second Pension), and so the abolition of contracting-out for DB schemes could follow, as has been the case for DC schemes.

The State pension age will rise automatically to reflect changes in longevity. Again, this was initially announced last year.

### **Further information**

If you would like further information on any issue raised in this update please contact:

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