This factsheet outlines the major changes announced in the 2015 Budget that relate to pensions and savings.

The Pensions Advisory Service is unable to give individual specific advice and you should seek alternative tax or regulated financial advice.

What changes were made?

**Reduction in the Lifetime Allowance (LTA) from £1.25m to £1m**

The Lifetime Allowance (LTA) will reduce from its current level of £1.25m to £1m with effect from 6 April 2016. From April 2018, the LTA will be indexed year on year in line with inflation.

Two forms of protection for accrued benefits will be available and HMRC will set out further guidance in due course:

- Fixed protection – this will be lost if there is further accrual
- Individual protection – this will set the LTA at the value of your accrued rights on 5 April 2016, capped at £1.25 million

**Trading Annuities**

**How will this work?**

From April 2016, pensioners receiving an annuity will be able to trade it in for a lump sum, taxed at your marginal rate. The cash can be used as you wish or paid into a pension drawdown arrangement or used to buy a flexible annuity.

The Government has launched a consultation on the workings of the trade annuity market, as some of the details are still to be ironed out.

Annuity payments will be reassigned to a third party and it is likely that evidence of health will be required at sale. The option will not extend to pensioners in defined benefit schemes.
What are the benefits?

For many people, continuing with your existing annuity will be the right choice.

For others, you have the opportunity to exchange your pension for a cash lump sum. The cash can be used as you wish or paid into a pension drawdown arrangement or used to buy a flexible annuity.

You are likely to benefit if you are within one of the following groups:

- You purchased an annuity because you had no choice but need the money now to repay debts or pay for health or care needs or other urgent spending.
- You have other pensions and the annuity is not a principal source of your retirement income.
- You have a small annuity and the little income produced does not significantly affect your standard of living in retirement.
- You wish to change the terms of your annuity. For example, you wish to make provision for a pension for your partner.

Changes to tax rates and allowances

The personal income tax rate allowance will increase from £10,600 to £10,800 from 6 April 2016 and to £11,000 from 6 April 2017. This is the level up to which no tax is payable for most workers.

The starting level of the 40% tax band will rise from £41,865 to £42,385 on 6 April 2015. It will then rise to £42,700 on 6 April 2016 and increase to £43,300 from 6 April 2017.

Changes to savings tax rate

A new personal savings allowance is intended to remove savings tax for 95% of taxpayers.

If you are a basic rate taxpayer, the first £1,000 of interest earned will be tax-free. For higher rate taxpayers, this allowance will be £500.
About Us

The Pensions Advisory Service (TPAS) works to make pensions accessible and understandable for everyone. We provide independent and impartial information and guidance about pensions, free of charge, to members of the public.

We help with all pension matters covering workplace, personal and stakeholder schemes and also the State Pension. We answer general questions, help with specific queries and offer guidance for people with complaints about their private pension scheme.

The Pensions Advisory Service is provided by

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