

PREMIER PENSIONS MANAGEMENT

LEGISLATION UPDATE : 09/06

Following poor drafting of the legislation there is a risk that transfers will generate 40% tax charges, especially where large benefits are involved.

- Bulk transfers DB to DB
- Individual transfers DB to DB
- Individual transfers DB to DC

Where bulk transfers/mergers takes place for members with significant benefits, annual allowances must be checked.

The problem arises if a transfer-out is paid which value accrued benefits at more than 10:1. The difference between the TV and the 10:1 factor will produce accrual for the purpose of the £215,000 annual allowance e.g. TV of £75,000 is paid in respect of £50,000 per annum. Excess is £750,000 ($£50,000 \times 10$) = £250,000. Any accrual in the tax year will also be needed to be added.

The problem is primarily likely to occur if a senior executive with a TV of £750,000 plus transfers to a Self Invested Personal Pension (SIPP).

There is a corresponding adjustment on transfers-in e.g:

- £750,000 provides £50,000 per annum. There is a negative gain of £250,000. This can not be offset against other schemes.
- £250,000 provides £50,000 there is a positive £250,000 and a charge.

DB to DB transfers are as problem a well! If £750,000 is moved to maintain a £50,000 per annum pension net input is £250,000!!

For individual transfers this can be highlighted.

There is though a problem in bulk transfers where there is no individual breakdown. We will need to check all senior employees in the future. In reality they probably should not transfer.

The client may be determined to proceed in any case. On this basis the member nor his tax office will realise. Legal advice should be sought.

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