

Higher rate tax relief - Sales Opportunities

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Although the abolition of higher rate relief and the associated anti-forestalling regulations will disincentivise pension saving for high earners there are some Sales Opportunities which come out of it.

Those who will definitely be caught – buy now while stocks last!

People with income well in excess of £150k will not be able to get higher rate relief on contributions after April 2011, but they can pay £20,000 in each of this tax year and next and get higher rate relief. So even for those who have never had a pension, there is a last chance to get £8,000 of tax relief, which must be worth a loan/overdraft if cashflow does not allow it to be paid from cash.

And if they have already paid £30k a year for the last 3 years, they can get £12,000 tax relief.

GPPs and other schemes with more than 20 members

These schemes will be exempt from the anti-forestalling rules, which might persuade a high earning MD to set one up.

Those who might be caught

People whose income is close to £150,000 will need advice on how to proceed and they should be prepared to pay for it.

Although pension contributions can no longer be carried back, Gift Aid can be carried back to the previous tax year if the Self Assessment tax return has not yet been submitted, so someone with high earnings in 2008/09 might be able to get themselves below £150k for that year. For this year a small pay cut might be required ...

On the subject of Gift Aid, most sponsor forms and many other collections automatically ask donors to tick a box to allow them to claim tax relief through gift aid. If you paid £10 a fortnight to have firemen clean your car, you can reduce your income by more than £300, add on those sponsored half marathons and you could be near £1,000 a year. Not much help if you are earning £250k p.a., but it is if your total income is only just over £150k.

Those earning £100k +, but with income of less than £150k

With the phasing out of the personal allowance salary sacrifice will give tax relief of up to 60% in addition to NI savings.

Those earning £50k - £100k – could also be buy now while stocks last

We know that higher rate relief will not be available for those with income of £180k from April 2011, and when Personal Accounts are introduced in 2012 (maybe) the tax relief will only be at basic rate even for those paying higher rate tax. It does not take much imagination to create a situation where higher rate relief is abolished completely.

Hopefully these ideas are helpful, and if you come across any others please share them with me.

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