

Why can't Simplification be Simple?

'A pension is a pension is a pension' said Alan Pickering in his July 2002 report. And ever since various government departments and politicians have been trying to complicate this simple sentence,

There followed two Inland Revenue Consultation Documents and then in April 2004 the government published the Finance Bill, which included 150 pages on Pensions Simplification. This year's Finance Bill is due shortly and this will add further to the reams of regulations and consultation papers which have emerged so far.

Not to be outdone by their colleagues at the Treasury, DWP published the Pensions Bill in February 2004. It ran to some 350 pages.

We will eventually lose all of the different tax regimes currently applicable, but the Inland Revenue has sensibly agreed to implement a number of transitional protections. These protections, however, have already led to great complexity, and the likelihood is that they will continue to do so. And to make matters worse many of the regulations which will determine exactly what we can and cannot do are unlikely to emerge until the summer, or even autumn.

There will be a number of planning issues which clients will need to address. For those lucky enough to have really large pension funds already they will need to choose between an Open Annuity now, or Extended Drawdown later. Others will want to know if they, or their companies should be contributing as much as possible at present, or waiting until the new rules come in. And if so should they be using FURBS, which will lose most of their IHT advantages after April 2006. Businessmen will be looking at their last chance to only fund for tax-free cash from their pension funds.

With only a year to go until 'A Day' in April 2006, there are going to be a large number of clients with a lot of questions needing answered. Not unreasonably, all clients will expect their advisers to know how the changes will affect them: if only it were that simple!

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