Draft FB 2017 Cl 6: Pensions advice

Employment Tax | Personal tax

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LITRG commented on the proposed introduction from 6 April 2017 of a new £500 tax exemption for employer-funded pension advice.

Clause 6 of the draft Finance Bill 2017 introduces a new ITEPA 2003 s 308C, providing an exemption from the taxable benefit rules for up to £500 for employer-funded pension advice. LITRG commented on the draft provisions, particularly welcoming that the definition of 'relevant pensions advice' is broad such that it might include 'tax issues relating to pensions' (per the explanatory note accompanying clause 6).

Of concern, though, is the limitation of the qualifying sum for exemption being £500 in a tax year. This amount will not go very far at all in paying for expert advice. LITRG recommended the Government consider increasing the exemption to £1,000 so that it is more likely to cover the cost of full advice, and that the exempt sum is up-rated regularly.

LITRG also highlighted that the definition of 'relevant pensions advice' under these provisions is out of step with that proposed under the 'pensions advice allowance' (whereby a sum of up to £500 may be withdrawn tax-free from existing pension pots to pay for pensions advice). That proposal aims to restrict use of the £500 sum to Financial Conduct Authority-regulated advice, and LITRG suggested that this was too narrow and it should be possible to use the sum to pay for tax advice (para 11.1).

We therefore recommended that a consistent definition of pensions advice, to include advice on the tax aspects of pension provision by a suitably qualified practitioner, be used for both the tax exemption proposed in clause 6 of Finance Bill 2017, and for the pensions advice allowance. To do otherwise seems an unnecessary and confusing complication. Failing that, clear guidance will be needed to ensure that individuals understand what each allowance can be used to pay for, and so that employees understand consumer protection issues (i.e. the difference

between ‘information’ and full, regulated advice).

LITRG’s full response to the draft legislation can be found on the LITRG website.