PML GROUP

Pensions Management
& Financial Services

Welcome to Bulletin 106 | January 2020

20-20 Vision?

11th March 2020, the new Government's Budget Day, looks likely to be quite an event. With a commanding 80 seat Commons majority and an opposition in disarray, the Government and the country's first Budget as a non-EU member will be awaited with the keenest of interest.

Chancellor Sajid Javid has done much to raise expectations of an economically stimulating Budget – introducing a 'decade of renewal', with a boost in spending on hospitals and police – whilst investing billions of pounds 'across the country' in delivering an 'infrastructure revolution'.

Fine as sound-bites – but what's likely to emerge?

Under our new non-EU membership, the need for the Government to borrow and spend looks an easy case to make – and with borrowing costs so low, we would expect the Government to follow up on spending commitments made before the election. Those commitments were to raise the NI threshold, cut Business Rates, reduce taxation and deliver on infrastructure.

A commitment to give high levels of support to infrastructure and other capital-intensive projects in the Midlands and the North is music to our ears. Of particular relevance to us in the Midlands is the angry bull of HS2.

The Chancellors Budget Day in March coincidentally marks the 10th anniversary of the White Paper, which confirmed HS2's intended route through the Midlands. At the time it was quite a shock – especially for those of us who found we were living along its intended route!
Now, a startling 10 years on, we recognise that the case for HS2 may be financially appalling, environmentally destructive and politically misguided – but it's steadily become pivotal to the redevelopment of both the Midlands and the North. Having now got beyond the agonies of consultation, planning, community opposition and property acquisition, most of the hard work (in terms of generating resigned acceptance) has now been done.

With over £7.5 billion already spent, HS2 project cancellation would ring-out a colossal failure of successive governments and embarrassingly call into question the country's ability to undertake any large scale 21st century transport modernisation project. My guess is that HS2 will finally get the long-awaited goahead, riding on the back of the need for development of the regions, the UK's future zero-carbon commitments and HS2's capacity to free up existing rail through-routes for freight and local traffic.

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But what about the Budget and Pensions?

According to former Chancellor Philip Hammond, the Treasury looks upon the cost of pension tax relief as "eye wateringly expensive". Well, seen from the Treasury's prospective, from which any tax-exempt structure is seen as 'lost tax', this view is recognisable. But taxpayers need to see both incentive and purpose in diverting spendable income into long-term savings – and the advantage of not paying tax twice on saved income is pivotal to the encouragement of long-term savings.

However, there are a growing number of obstacles and inconsistencies within the current pension legislation. Three obvious ones are: 1. the nonsense of the tapered Annual Allowance for high earners, 2. the taxation of Lifetime Allowance excesses and 3. the limitations around both qualifying earnings and Workplace Pension membership. But, with public spending on the increase and with a widening Government Budget Deficit, the Treasury are going to be in no mood to grant easements without some quid pro quo.

Pension Annual Allowance has remained at £40,000 for 5 years now – and in conjunction with likely easements with Taper Relief, looks distinctly vulnerable. A cut in Annual Allowance would be one of the simplest cash-saving moves the Treasury could make. And with a seemingly disproportionate element of pension tax relief being enjoyed by the highest tier of earners, little political upset would arise from further limitations. So, if contributions are intended this tax year – then don't wait any longer – current limits may be about to expire.

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January 2020