Has your annual income reached £130,000 since April 2008?

HIGH EARNERS FACTSHEET

Since April 2009 the amount of higher rate tax relief available for high earners has been restricted. If you have had an annual income of £130,000 or more between 6th April 2008 & 5th April 2011 you will be affected. Broadly speaking:

1. You should be able to contribute at least £20,000 gross this year into pensions and get tax relief of up to 50%.
2. If you have been making regular monthly or quarterly contributions (even if they are greater than £20,000) which you set up prior to 22nd April 2009 you can continue to make these contributions and get tax relief of up to 50%.
3. If you have made lump sum contributions between 6th April 2006 and 5th April 2009 you can contribute the total of these contributions divided by three; up to a maximum of £30,000 and receive up to 50% tax relief. If this amount comes below £20,000 then the £20,000 limit in point 1 will apply.

For everyone else with income below £130,000 the current rules remain the same. See the 'At a Glance' box opposite for a summary of what you can contribute.

INCOME BETWEEN £130,000 AND £150,000

If your income falls in this band and you have been making regular monthly or quarterly contributions (even if they are greater than £20,000) which you set up prior to 9th December 2009 you can continue to make these and get tax relief of up to 50%.

HOW DO I CALCULATE MY INCOME?

The income on which the government bases the £130,000 threshold includes your total income on which tax could be payable which would include investments, but exclude ISAs. From your income you can deduct pension contributions (excluding employer contributions) of up to £20,000. Oddly this means if your income was £149,999 for instance you could make a pension contribution of £20,000 gross to reduce your income to under £130,000. You would then be free to contribute up to a further £129,999 gross into a pension and get higher rate tax relief without being affected by the £130,000 income limit. You can also deduct the grossed up value of charitable donations that qualify for Gift Aid. (You cannot claim more higher rate tax relief than you've paid).

If you take action to reduce your total income below £130,000 to enable pension contributions to be made then it is possible that HM Revenue and Customs will apply these rules as if your income is £130,000.

BASIC RATE TAX RELIEF

Contributions which exceed the limits described above will continue to receive basic rate tax relief of 20% providing they do not exceed the lesser of your annual earnings or the 2010/11 normal Annual Allowance of £255,000.

WHAT SHOULD I DO NOW?

We believe anyone affected by these rule changes who wishes to maximise their retirement savings should aim to invest as much as they can afford, up to their maximum allowance - whether £20,000 or £30,000 for the current tax year. Taxes have risen so it would make sense to squirrel as much away from the taxman as you can for retirement on the most favourable terms possible.

CHANGES FROM 6TH APRIL 2011

The government intends to abolish these restrictions on higher rate tax relief. Instead there will be an annual allowance of £50,000 for everyone. Contributions up to this level will qualify for tax relief of up to 50% depending on your circumstances.

If you are a member of a final salary scheme or contributions this tax year (to pensions other than the Vantage SIPP) have already surpassed £50,000 in some circumstances next year's annual allowance may have been exceeded. If you think this may affect you we have prepared an annual allowance fact sheet that is available online and by calling 0117 980 9926.

ADDITIONAL NOTES

You should be aware of the Lifetime Allowance of £1.8 million and how it is calculated as this affects the benefits that you can take from a pension without incurring a penal tax charge. The government intends to reduce the lifetime allowance to £1.5 million on 6 April 2012.

Employer contributions and deemed contributions to final salary schemes must be included when calculating how much you have contributed. If you have a final salary scheme you can check your deemed contributions by contacting your scheme administrator.

Higher rate tax relief is withdrawn by a tax charge of 20% - 30% being applied to you, whether the contribution is a personal one or from an employer.

Salary sacrifice in exchange for pension contributions entered into after 22 April 2009 needs to be included when calculating whether your total income is above £150,000 and that entered into after 9 December 2009 needs to be included when calculating whether your total income is above £130,000.

Switching regular contributions from one scheme to another may result in them becoming subject to the tax charge.

These rules are based on our understanding of draft and current legislation and guidance issued by HM Revenue & Customs. More information could come to light which might change our opinion and of course the rules could change. None of this information should be taken to be advice and if you are unsure about how you are personally affected then you should seek financial advice. If you require further clarification you could visit the HM Revenue & Customs website: www.hmrc.gov.uk

AT A GLANCE: HOW MUCH CAN I CONTRIBUTE?

If you have any questions call us on **0117 980 9926**
(Monday - Thursday: 8am - 8pm, Friday: 8am - 6pm, Saturday: 10am - 1pm)

- Most people can contribute as much as they earn into their pensions each year (subject to the annual allowance).
- If you have no earnings or earnings which are less than £3,600 per annum you can make a gross contribution of up to £3,600. Because of the tax relief you would only need to write a cheque for £2,880.
- If your income is £130,000 or more in this or the previous two tax years you should be able to get full tax relief on at least £20,000 worth of contributions and basic rate tax relief on the remainder.

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