

Money purchase annual allowance

In the 2016 Autumn Statement the Chancellor announced his intention to reduce the money purchase annual allowance (MPAA) from £10,000 to £4,000, with effect from 6 April 2017. The MPAA affects people who have flexibly accessed pension rights by, for example, taking money out of a flexi-access drawdown fund or withdrawing cash from a money purchase arrangement as an Uncrystallised Funds Pension Lump Sum (UFPLS).

The Government wants to minimize opportunities for recycling of pension savings to take advantage of tax relief, whilst ensuring that the MPAA does not hamper the development of automatic enrolment. Some easements may be made for some categories of people who need to draw on their savings and then re-build their pension rights: the examples given are those who divorce, are made redundant, or declared bankrupt.

Due to the General Election this change was not included in the 2017 Finance Act, however the necessary legislation was included in the Finance (No 2) Act 2017 in November 2017 but was backdated to 6 April 2017.