

# UK taxation and pensions: A climate of change

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Prior to these changes individuals and employers could generally contribute money into a registered pension scheme saving income tax on the contribution at 40%. The Finance Act will reduce tax relief on pension contributions for those who have earned over £150,000 in the previous two tax years. The tax relief will be tapered away, so that individuals with income in excess of £180,000 will receive only 20% relief. Although there are exceptions the reduction in tax relief has made contributions into registered pension schemes for most executives significantly less attractive to both employees and employers. Many are now considering alternative ways of funding their retirement outside of traditional UK-registered schemes.

These major tax changes are leading organisations to extend the shake up of defined benefits pension provision to defined contribution offerings. Many organisations are concluding that now is the time to re-evaluate the role that pensions play in the overall reward and business strategy. A recent Pensions survey by PricewaterhouseCoopers found that 96% of companies are planning changes to their workplace pension schemes.

In particular many private equity and infrastructure fund managers are looking at how legacy pension obligations in portfolio companies may affect their ability to raise debt finance. Financiers are increasingly examining the viability of pension arrangements as part of their due diligence exercise. These tax changes offer an opportunity to engage with pension trustees on the need for reform.

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