



Professional Adviser Use Only

The information contained in this document is based on our understanding of HM Revenue & Customs (HMRC) rules & practice. It is provided as a summary only. Readers should refer to HMRC's Pensions Taxation manual and other suitable sources for full details. Whilst every effort has been made to ensure accuracy, no responsibility can be taken for actions taken, or refrained from being taken, as a result of this information.

Money Purchase Annual Allowance Reduction

In his 2016 Autumn Statement, the Chancellor announced that the Money Purchase Annual Allowance (MPAA) would be reduced from £10,000 to £4,000 from 6 April 2017. However this provision was not included in the subsequent Finance Bill. The Government has now announced that this provision will be included in a second 2017 Finance Bill and will be retrospective.

The MPAA applies to individuals who have flexibly accessed a Money Purchase arrangement, for example they have received an Uncrystallised Funds Pension Lump Sum or have received payment(s) from a Flexi-Access Drawdown Fund.

The reduction in the MPAA will be backdated, so will still apply from 6 April 2017. Any contributions to a Money Purchase arrangement since 6 April 2017 will count towards the reduced MPAA even if they were paid before the announcement about the second Finance Bill. Contributions cannot normally be refunded, except within the cancellation period of a new contract and some other limited circumstances. There is no carry forward of unused MPAA from previous years.

We recommend that advisers discuss with their clients where the MPAA applies, before making contributions, or where Money Purchase contributions have been paid since 6 April 2017, which exceed £4,000.