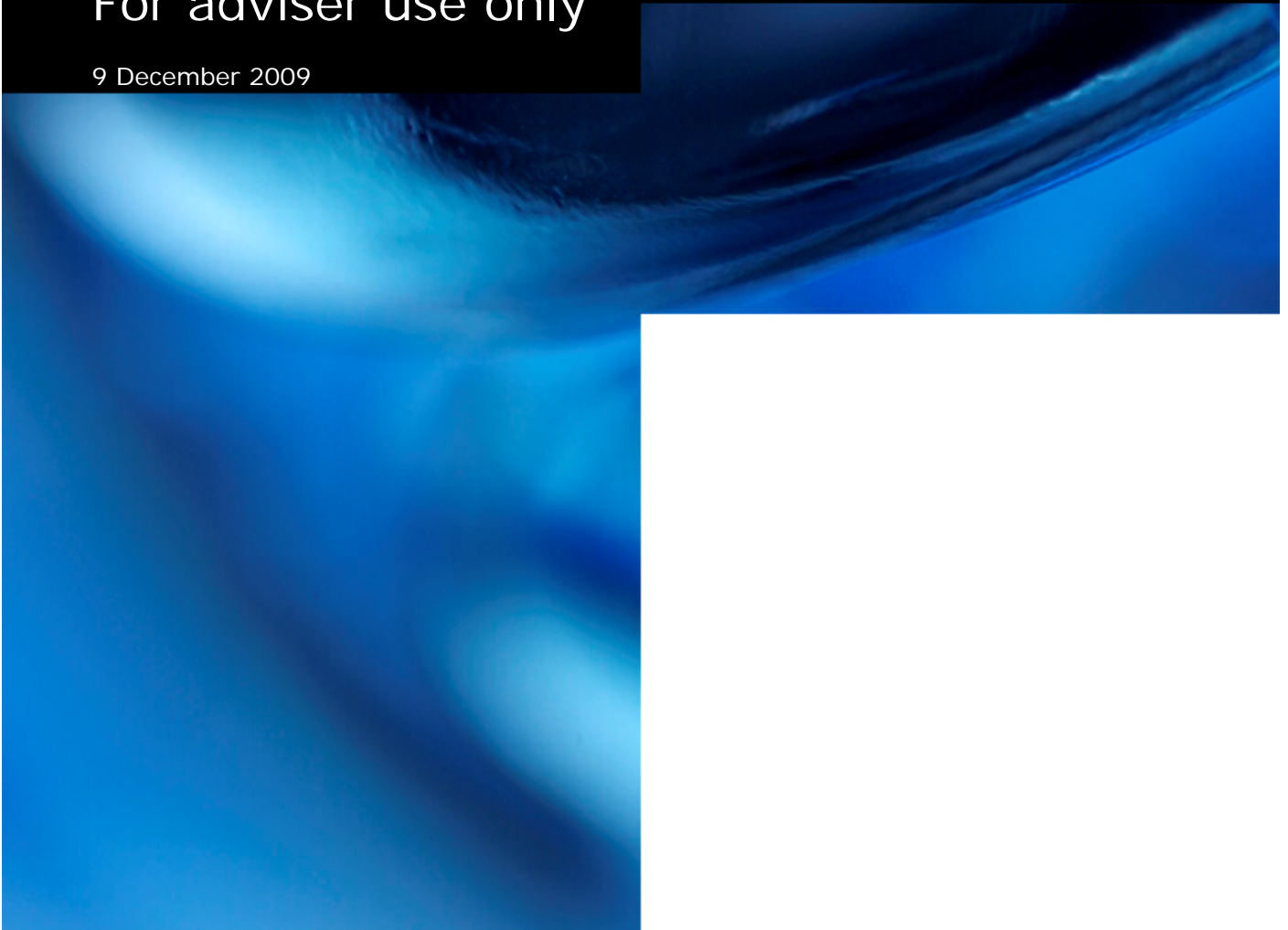




9 December 2009 changes to the special annual allowance

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9 December 2009



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9 December 2009 changes to the special annual allowance

Introduction

From 9 December 2009, the special annual allowance charge may now apply to those who have relevant income of £130,000 or more in the current tax year and/or at least one of the previous two tax years.

Calculating relevant income

The method of calculating relevant income will remain the same apart from the step in relation to salary sacrifice agreed on or after 22 April 2009. For the purpose of determining whether someone has relevant income of £130,000 and over but less than £150,000, only salary sacrifice agreements made on or after 9 December 2009 will result in the sacrificed amount being added back into the income.

Applying the rules

For those whose relevant income is £130,000 or over but less than £150,000, the special annual allowance rules will apply but, for the 2009/10 tax year, references to 22 April 2009 should be read as references to 9 December 2009.

Protection for certain lump sum payments made on or after 9 December 2009

Where a lump sum payment is applied to a registered pension scheme on or after 9 December 2009 but it was made in accordance with an agreement made between the employee and employer before 9 December 2009, the lump sum amount will be a protected pension input amount

With the exception of the tax charge (which is covered in our pre-budget report paper), all the other special annual allowance rules will remain the same for tax years 2009/10 and 2010/11.

Our factsheet below gives an overview of the special annual allowance before these changes.

<http://dms.aegonse.co.uk/download/cde9d3d25558628cc8ec5f3f66681f1f>

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