

## Just a year to go before A-Day transitional arrangements disappear

Beyond 5 April 2011 it will not be possible to retain pre 6 April 2006 ("**A-Day**") Revenue Limits by relying on the 5 year transitional period arrangements.

If your pension scheme rules have not been amended to take account of the A-Day changes and you are still relying on the transitional period arrangements which maintained the pre-A-Day Revenue Limits including the pensions earnings cap, then from 6 April 2011 these limits will automatically disappear giving rise to potentially significant cost increases.

### **Background: the Finance Act 2004 and the transitional period arrangements**

A new tax regime for the taxation of pensions was introduced on 6 April 2006. From A-Day, Inland Revenue limits on pension scheme contributions, pensions, lump sums and death benefits ceased. One example of such a limit was the earnings cap which

was a ceiling on the amount of pay upon which contributions could be collected and benefits capped.

Modification regulations were introduced which allowed schemes to continue as though pre-A-Day Revenue Limits (including the earnings cap) still applied but this leeway ends on 5 April 2011.

### **What are the consequences?**

If your pension scheme rules have not been amended when the transitional period arrangements come to an end in April next year, your pension scheme rules will be governed by the post A-Day tax regime. This may mean that your scheme will have to provide benefits higher than intended, incurring potentially significant increased costs.

**Action should be taken as soon as possible to ensure that the benefit structure which you want to provide is documented in the rules before the 5 April 2011 deadline.**

### **Further information**

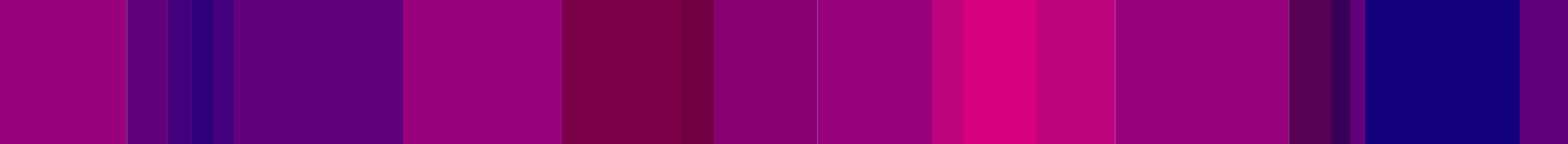
If you have any questions, please do not hesitate to contact Steven Hull or your usual Ashurst pension contact.



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