

## Contractor pensions under threat in budget small-print

Contractors who divert a significant amount of their earnings into a pension pot that will provide an income in old-age and legitimately reduce tax liabilities may end-up with higher tax bills, [according to Independent Financial Advisers ContractorFinancials](#).

Buried in the small-print of the [emergency budget document](#) is an item that says the government is planning a consultation that could result in an annual tax-free pension contribution allowance of £30,000-£45,000. [ContractorFinancials](#) says that the current limit is £255,000 and so this huge reduction "could have disastrous implications for many contractors."

### Budget small-print

The budget says: "An alternative approach involving reform of existing allowances, principally of a significantly reduced annual allowance, might better meet the government's objectives. Provisional analysis suggests that an annual allowance in the range of £30,000 to £45,000 would raise the necessary yield."

A consultation is planned before reforms are introduced, and the government plans to seek input from "employers, pension schemes, experts and other interested parties to determine the best design of a regime."

### Take pension action now

When pension tax relief was restricted for top-rate taxpayers in April's budget, the last budget of the previous Labour administration delivered by former Chancellor Alistair Darling, contractors who could provide evidence of regular pension contributions could continue to enjoy an element of relief if these were maintained.

So ContractorFinancials is urging contractors to take action now, by speaking to their pensions advisers and embarking on a regime of regular pension contributions before the rules change again. That way, contractors could maximise their chances of being able to continue to benefit from some tax relief.

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