

Fact sheet: Pension Advice Allowances



LUCAS FETTES

April 2020

There are now a range of options which allow you as an employer to assist your staff with the provision of pension and retirement advice.

Pension Advice Vouchers

Introduced in April 2017, this scheme allows staff to receive tax free financial advice up to the value of £500. To do so, staff simply apply for and redeem a voucher through a self-service website; the voucher's value is subsequently deducted from their salary before tax.

The employer is able to deduct the value of the voucher from their staff member's salary in one go, or can distribute the deductions over a period up to 12 months.

For the procurement of vouchers, employers pay a charge, similar to the way childcare vouchers operate. The charge is currently 13.8% of the reimbursement fee, which is equivalent to the employer's National Insurance (NI) saving and, as such, is cost-neutral.

Where the cost of advice exceeds £500, the employee would pay the excess through their own means.

Eligibility

Staff are eligible for Pension Advice Vouchers providing:

- They pay for pension advice in the current tax year.
- They are employed and pay tax in the UK, self-employment does not qualify.
- Their employer has made, or is willing to make, this scheme available to them.

The vouchers are redeemable per employment. As such, an individual can claim multiple vouchers per tax-year, providing they are employed by multiple employers who are willing to make the scheme available. The tax exemption is available for each redeemed voucher.

Additionally, this salary exchange scheme can be used in conjunction with the Pension Advice Allowance (See below); however, if the adviser fee has been deducted from a pension fund, it will not qualify as the income tax exemption would have already been used.

Employer funded advice

HMRC have said that pension information and advice provided by an employer to staff generally (for example a presentation to which all staff are invited to attend) is unlikely to give rise to an employee benefit tax charge.

On 6 April 2017 a statutory exemption of £500 was introduced for the provision of pension and retirement advice.

With this initiative in place, an employer can provide, or reimburse, an employee for costs relating to pensions advice.

This will be exempt from income tax up to £500 providing that **either** of the following conditions are met:

Condition A - availability

The relevant pensions advice, reimbursement or payment must be provided under a scheme which is available to all of an employer's staff, or all staff in a particular location.

Condition B - age, ill-health

Available to all of an employer's staff, or those at a particular location where the staff:

- Have reached the minimum qualifying age (normally age 50), or
- Meet the ill-health condition.

Employers can, therefore, provide advice for their staff who are nearing retirement, or are about to retire on ill-health grounds, as long as the advice is available to all staff in the same situation.

Pension Advice Allowance

Introduced at the same time as the Pension Advice Vouchers, the Pension Advice Allowance is a separate scheme for employers to assist their staff to acquire financial advice.

This scheme was designed to allow individuals of any age to gain access to advice and information relating to their pensions and retirement plans.

Advice charges are deducted from the staff Defined Contribution (DC) pension to pay for this advice and it is entirely tax-free.

The allowance for this initiative is £500; however, this can only be used once in a tax year and three times in a person's lifetime.

Similar to the Pension Advice Vouchers, staff would be required to pay any additional outstanding balance.

As a result of the low levels of demand for this scheme, there are currently few providers who facilitate this allowance. Providers which support this scheme include:

- Standard life
- Hargreaves Lansdown
- LV

What can be provided under these allowances?

The regulation permits the provision of information and advice surrounding an individual's pension arrangements. Wider, more holistic financial planning is permitted, providing that reference is made to the individual's pension arrangements and retirement planning considerations.

Our Services

Lucas Fettes Financial Planning have a range of services designed to assist staff with their pension arrangements and overall retirement planning. These include:

- Pension switching and consolidation
- Pension transfers
- Pension forecasting
- Protection review
- Personal financial review

The provision of some of these services can be facilitated via the allowances explained within this fact sheet, and all can be made available to staff without any employer financial support.

Contact us

If you would like further information on any of the above services or how we can help you, please do not hesitate to contact your Lucas Fettes Financial Planning adviser, call us on **01603 706820** or email employeebenefits@lffp.co.uk

www.lffinancialplanning.co.uk

The contents of this fact sheet do not constitute financial advice. The impact of taxation (and any tax relief) depends on individual circumstances. This has been prepared based on our current understanding of UK Law, Taxation and HMRC practice, all of which could be subject to change in future. The value of investments can fall as well as rise and it may not always be possible to receive back the sum initially invested. Past performance is not necessarily a guide to future investment returns.

Lucas Fettes Financial Planning® is a registered trading name of Lucas Fettes & Partners (Financial Services) Limited, who are independent financial advisers authorised and regulated by the Financial Conduct Authority. Financial Conduct Authority regulation applies to certain regulated activities, products and services, but does not necessarily apply to all tax planning activities and services. LFFP21. 04/20