Pensions and retirement planning

R04 2017–18 edition

Web update 6: 17 April 2018

NOTE: this replaces and supersedes web update 5, dated 14 February 2018

Please note the following update to your copy of the **R04** study text:

Pensions advice

The plan to introduce a new income tax exemption to cover the first £500 of pensions advice provided by an employer to an employee was initially dropped from Finance Act 2017. It was reintroduced in Finance (No. 2) Act 2017 and takes retrospective effect from 6 April 2017. The exemption replaces a previous, more restrictive exemption, which was limited to £150.

In the light of this please make the following change to your study text:

Chapter 1, section D, page 1/7

Please amend the second bullet list to read as follows:

• Similar advice is offered to all employees **or to certain groups of employees. If the advice is only offered to certain groups of employees, it must be offered to all employees within the stated groups, e.g. the advice can just be offered to certain groups of employees on the grounds of age or ill-health;** and

• the advice only covers **'relevant pensions advice', which covers advice on the employee's pension arrangements, as well as more general advice relating to the use of their pension funds (which can include general and tax issues).**

Then delete the sentence and Be aware box immediately below and replace with the following:

The exemption for income tax and National Insurance purposes is £500 per tax-year. If the cost exceeds £500 per employee, any excess over £500 is subject to income tax and National Insurance Contributions.

Dividend allowance

Finance (No. 2) Act 2017 reinstated that the dividend allowance will be reduced from £5,000 to £2,000 from the tax year 2018/19. It remains at £5,000 for 2017/18.

Chapter 2, section B, page 2/13

In the light of both these changes (to pensions advice and to the dividend allowance) please delete the final paragraph from the first Be aware box on this page.