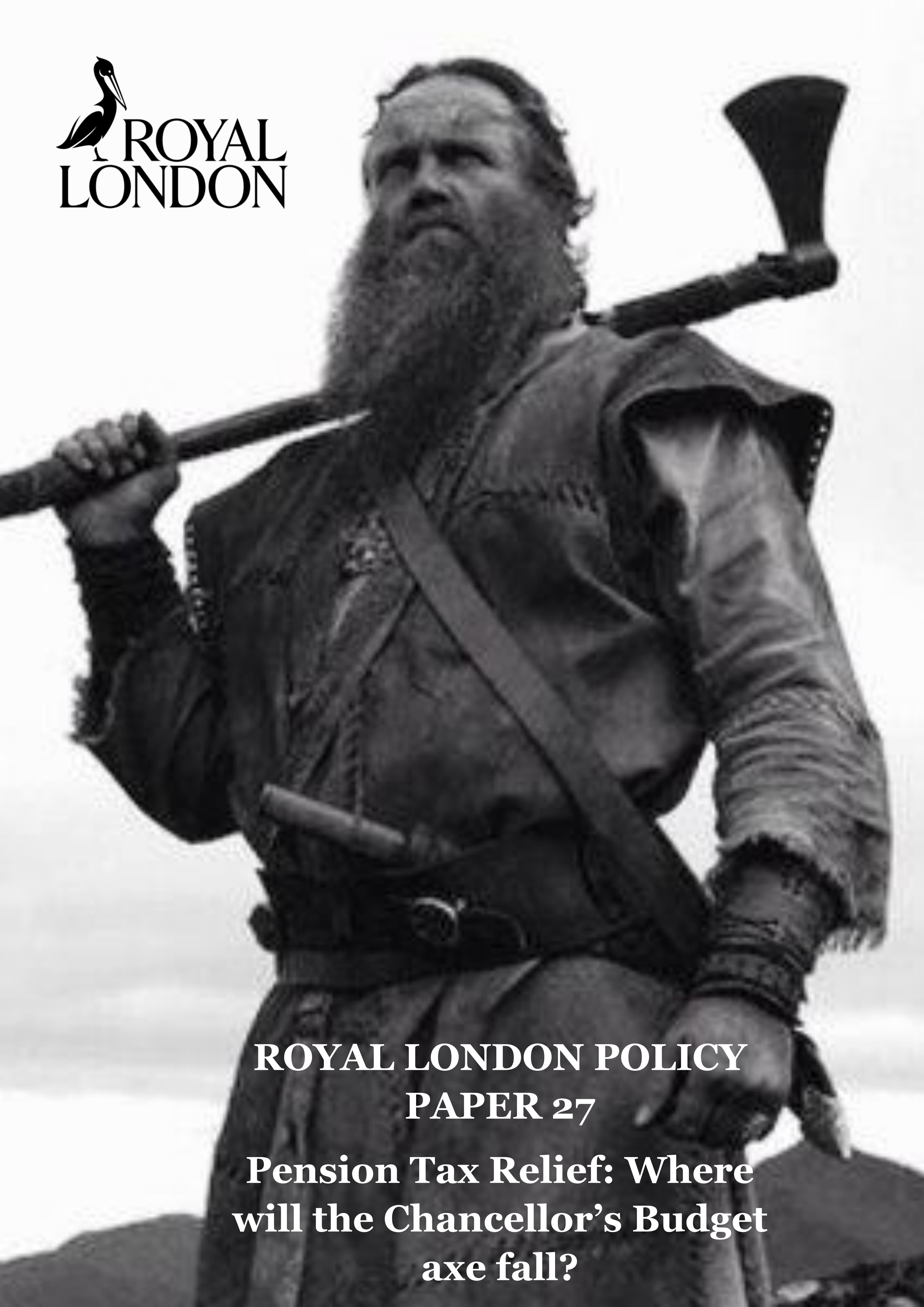

ROYAL LONDON POLICY PAPER 27

Pension Tax Relief: Where will the Chancellor’s Budget axe fall?

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PENSIONS TAX RELIEF:
WHERE WILL THE CHANCELLOR'S BUDGET AXE FALL?

1. Introduction

In the Autumn of 2016 we published a Royal London policy paper entitled "Pension Tax Relief: Time to stop the salami slicing". The theme of the paper was that pensions are a long-term business and that the constant tinkering with limits and rules around pension contributions was unhelpful. In a rare break with recent tradition, we were pleased that the ensuing 2017 Budgets (in Spring and Autumn) made no major changes to pension tax relief1. But, for reasons outlined in this paper, we think that there is a high likelihood that the 2018 Budget will return to type, cutting the overall level of relief and making the system still more complex.

In this paper we begin by setting out some of the reasons why the Chancellor is likely to find the temptation to tinker with tax relief irresistible. We then look at the various aspects of the pension tax relief regime, explaining how each works, what has happened in recent years and what the Chancellor might change. We also identify changes which are regularly discussed but which we think are unlikely to happen in this Budget.

For the avoidance of doubt, our view is that the Chancellor should leave pension tax relief alone. A period of stability would give time for recent changes to bed in and would allow people to plan for their retirement with a degree of certainty. But we are not optimistic that the government will see things the same way.

[1] The 2016 Autumn Statement did however make one unexpected and unwelcome change to a very specific element of the system – the Money Purchase Annual Allowance – which we discuss later.

2. Why might the Chancellor seek to raise revenue through changes to pension tax relief?

At first glance, the impetus for a cut in pension tax relief might seem to be relatively weak. Government borrowing has been falling in recent years and the Prime Minister has recently announced 'an end to austerity'. However, the Chancellor faces huge pressures on the spending side of the government accounts, in particular with regard to funding the spending commitment which has been made on the NHS, and he has already indicated that some tax rises are likely to be necessary.

a) *Spending pressures*

By far the biggest spending pressure which the Chancellor faces is the commitment made in June 2018 to increase spending on the NHS by £20 billion per year by 2023. This would represent a real-terms increase of 3-3.5% in spending in each of the next five years and involves a much sharper rate of growth in spending than in recent years. In addition to this, the government faces the ongoing spending pressure arising from an ageing population which is being seen especially in the need to find additional money for social care budgets. Another large area of public spending is public sector pay and after eight years of freezes and below-inflation increases there are signs that pay restraint is being gradually eased. Whilst government can and will try to find savings in other areas, much of the 'low hanging fruit' of politically easy spending cuts have already been made, limiting the potential for large scale cuts to fund spending increases.

b) *Constraints on the potential to raise taxes*

If spending needs to rise, borrowing is constrained and easy sources of spending cuts are hard to find, a good proportion of the money is likely to come from increased tax revenues. But the Chancellor's hands are extensively tied when it comes to raising tax. In particular:

- The 2017 Conservative manifesto contained a commitment not to raise headline rates of income tax or VAT;
- Although the 2017 manifesto did not rule out increases in National Insurance Contributions, a previous attempt by the Chancellor to raise NI rates solely for the self-employed resulted in an embarrassing u-turn within a week of the Budget, suggesting that across-the-board NI increases are unlikely;
- The government has made a virtue of cutting corporation tax rates and sees low corporate tax rates as a key element of its strategy to retain and attract businesses to the UK in a post-Brexit environment;
- Even relatively modest increases in excise duties can be politically challenging; in particular, the Prime Minister chose to pre-empt the Chancellor's budget by announcing in her party conference speech in Birmingham that petrol duties would be frozen yet again in the forthcoming budget.

For all of these reasons, increases in the rates of most of the main taxes are either politically impossible because of manifesto commitments or would represent a major reversal. The Treasury will therefore be using all of its ingenuity to come up with 'stealth taxes' that will raise serious money with minimum political fall-out.

c) *Why pension tax relief?*

There are several reasons why pension tax relief is likely to be an attractive source of revenue for a cash-strapped Chancellor. These are:

I) The relatively large and growing cost of the pension tax relief system

II) The opaqueness of changes to pension tax relief

III) The fact that many of those likely to be affected will be on higher incomes or will be perceived to be relatively wealthy

IV) The fact that similar changes have been made on several occasions in recent years with limited political cost

V) Simple changes to tax relief limits generate revenue relatively quickly

We consider each in turn.

I) The relatively large and growing cost of the pension tax relief system

The fact that most individuals can put money into a pension and get tax relief on those contributions costs the Exchequer a large sum of money in the year in which those contributions are made. It is true to say that when the money is eventually withdrawn it will be taxable, but that tax may not be paid for decades and a quarter of all pension pots can be withdrawn completely tax free. Looking at the amount of revenue lost in the current period because of pension tax relief and adding back in the income tax paid on pensions in the same period would suggest that the cost of tax relief could be around £25 billion per year, as shown in Table 1. This compares with a figure of just over £20 billion three years earlier, which is another reason why the Treasury will be interested in this figure.

Table 1. Cost of pension tax relief in 2016/17

	Estimated Exchequer Cost (+) or saving (-) in 2016/17
Occupational pension schemes	
- Tax relief on employee contributions	£4,600m
- Tax relief on employer contributions	£18,000m
Personal pension schemes	
- Tax relief on employee contributions	£2,400m
- Tax relief on employer contributions	£5,100m
Tax relief on self-employed pension contributions	£700m
Tax relief on investment income of pension funds	£7,900m
TOTAL (GROSS) COST OF TAX RELIEF	**£38,600m**
(Minus) tax paid by pensioners on private pensions	(£13,500m)
TOTAL (NET) COST OF TAX RELIEF	**£25,100m**

Source: HMRC, Table PEN 6, Cost of Registered Pension Scheme Tax Relief

(https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/683943/PEN6__2007-08_to_2016-17__for_publication.pdf)

The cost of tax relief on this measure has been growing in recent years, particularly as millions more workers have been put into workplace pensions as part of the 'automatic enrolment' initiative. As mandatory minimum contributions into workplace pensions rose in April 2018 and will rise again in April 2019, the cost of tax relief seems likely to rise further. HM Treasury is likely to see a large 'tax expenditure' of this sort as offering ample potential for contributing to the Chancellor's revenue raising targets.

II) The opaqueness of changes to pension tax relief

Whereas an increase in the main rate of income tax or VAT would be very visible and relatively well understood, changes to pension tax relief are notoriously complex and hard to follow. The system is constantly changing and little understood which offers governments considerable potential for tinkering. It is easy enough to launch a political campaign against a simple budget measure such as a 'pasty tax' or an increase in petrol duties, whereas few people will even understand a complex change to pension tax relief, which reduces the potential for a political backlash.

III) The fact that many of those likely to be affected will be on higher incomes or will be perceived to be relatively wealthy

In recent years, the main changes to the rules around pension tax relief have affected the lifetime limit on the amounts that can be built up with tax relief and the annual limits on contributions. We discuss these in more detail later in the paper, but in the former case we are talking about people with pension pots in excess of one million pounds and in the latter case the changes affected those able to contribute more than £40,000 per year into a pension. In terms of the mass media, neither of these groups is likely to attract much public sympathy.

IV) The fact that similar changes have been made on several occasions in recent years with limited political cost

Since 2010 there have been three major cuts to the lifetime allowance for pension tax relief and three more complex cuts to the annual limit on contributions. Whilst those in the pension world and those who advise wealthier individuals have objected to each of these changes as they have gone through, there has been no obvious political damage to the governments which brought in those changes. Indeed, it could be argued that a Conservative government may feel relatively bold in making changes of this sort because high earners or those with large pension pots may be unlikely to register their disapproval by voting for an alternative party which would be expected to take a much less charitable view of those on high incomes.

V) Simple changes to tax relief limits generate revenue relatively quickly

There are some things that governments can do which will raise a lot more money, but not many which do so in a matter of months. Introducing brand new taxes or radically restructuring existing ones can offer the potential for a large revenue boost, but the necessary legislation and implementation timetable can last for several years. By contrast, taking an existing limit in the system and reducing it can be announced in an Autumn Budget and implemented by the following April. Although the revenue from such changes can take time to build up (partly because of the ability to 'carry forward' unused allowances from earlier years) even in the first year there will usually be a worthwhile yield from simple alterations to the existing system.

For all of these reasons, we believe that the Chancellor will be highly likely to turn to pension tax relief as one source of revenue for the expensive spending commitments which the government made earlier this year. In the next section we consider in more detail the main elements of the pension tax relief system which could be changed, starting with those where we think cuts are most likely and ending with those which we think are highly unlikely.

3. Where will the Chancellor's Budget axe fall? – the options for 'salami slicing'

a) The annual allowance

Each year, individuals are allowed to contribute up to £40,000 into a pension and receive income tax relief on those contributions[2]. Someone paying income tax at the standard rate of 20% would receive £8,000 of tax relief, someone paying tax at the higher rate of 40% would get £16,000 of tax relief, whilst those in the additional rate band of 45% would get £18,000 of tax relief. (Slightly different calculations would apply for those paying income tax in Scotland).

The rate of the annual allowance was cut dramatically between 2010-11 and 2011-12 from £255,000 to £50,000. It was then cut again from £50,000 to £40,000 with effect from 2014-15.

The cut in the annual allowance from £50,000 to £40,000 was announced in the 2012 Autumn Statement as part of a package of changes to pension tax relief which were forecast to raise around £1 billion per year by 2017/18. Defending the change, the Chancellor of the day (George Osborne) told MPs that 99% of people were contributing less than £40,000 per year into their pension and that the average rate of contribution was less than £6,000.

Subsequent to the most recent change in the annual allowance, the Treasury has taken steps to make an alternative form of tax-privileged saving – the ISA – more attractive. Back in 2012/13 when the Chancellor announced these cuts to the annual allowance for pension tax relief, the ISA limit was just over £11,000 per year. But by 2017/18, the limit had been raised to £20,000 per year. The Treasury much prefers savers to use ISAs (where tax is paid up front but no further tax is payable) rather than pensions (where tax is deferred). If the Chancellor was looking for a justification for a lower annual limit on pension saving he would be likely to highlight the fact that individuals with spare cash to put into savings now have a much more generous annual ISA limit than they did when the pension tax relief limit was last reduced.

Given that the government has 'form' on reducing the annual allowance, it seems highly likely that this is one of the first places they will look for further savings in the cost of pension tax relief.

Probably the main argument against a large reduction in the annual allowance comes from the way in which higher earning public sector workers are affected by the rules. Many senior public sector professionals such as GPs and consultants will be on a relatively high wage and will be members of the NHS pension scheme where their final pension depends on a mix of their career average salary and their final salary at retirement. An additional year of service at a high wage, perhaps accompanied by a promotion or pay increase, can lead to such workers breaching the annual allowance limit and facing a potential tax charge. Although this has happened because such individuals have seen a big boost to their pension rights which they would welcome, many have reacted adversely to the resultant tax charge and there is some suggestion that growing numbers are now retiring early or leaving the profession. This clearly creates a headache for the NHS and may act as a constraint on the Chancellor going too far with radical cuts to the annual allowance.

[2] A different limit applies to high earners subject to the 'tapered' annual allowance, and another different limit applies to those who have started withdrawing taxable cash. We consider the potential for changes in those limits in the following sections.

b) The 'tapered' annual allowance

Prior to 2016/17, all individuals benefited from the same annual allowance, regardless of their income. This meant, as described earlier, that those who paid income tax at the highest rates got the biggest contribution to their pension in the form of tax relief. Obviously, if they were also higher rate tax payers in retirement they would eventually pay much of this back in the form of taxation, but some would argue that too much of the short-term cost of pension tax relief goes to those who need it the least.

In response to this, the Summer Budget of 2015 introduced a new system to 'taper down' the annual allowance available to those on the highest incomes which would come into effect in April 2016. This change was estimated to raise nearly £1 billion per year by 2018/19.

The precise rules are complex, but in essence, those whose total taxable income (from all sources, not just their main employment) plus the value of any employer contribution exceeded £150,000 per year would face a reduction in their annual allowance. The reduction would be at a rate of £1 in £2 above the £150,000 threshold, and the annual allowance could be reduced to a floor of £10,000 for those with total income of £210,000 per year or more.

One consequence of this change is that some high earners have said to their employer that they have no interest in contributing more than £10,000 per year into a pension and have restructured their remuneration to reduce the amount of pension saving but perhaps to receive a cash alternative.

The impact of this change has probably not been fully felt as yet. The reason for this is that individuals are able to 'carry forward' unused annual allowances for up to three financial years. When the tapered annual allowance was introduced in April 2016, individuals could carry forward unused allowances from 2013/14, 2014/15 and 2015/16 to help offset the reduction in the allowance. But by next year (2019/20) any carry forward would be from a year when the tapered annual allowance was already in force. For those who have been on consistently high incomes this means that the tapering of the annual allowance will start to 'bite' from next year.

In terms of this year's Budget, the Chancellor must be sorely tempted to reduce the £150,000 threshold at which the tapered annual allowance applies. The complexities of the system are baffling to most, and the public is likely to have little sympathy with those who earn five or six times the national average wage.

A reduction in the threshold for the tapered annual allowance to £125,000 seems perfectly possible[3].

[3] To go any lower would risk overlapping with the 'tapering' of the personal allowance which applies on the band of earnings from £100,000 per year to £123,700 which would create extremely high marginal rates of tax.

c) The Money Purchase Annual Allowance (MPAA)

When individuals reach the age of 55 they are able to access money they have built up in a pension pot. A quarter of any pot is usually available tax free and the rest is subject to income tax when it is withdrawn. However, if someone of this age takes money out of a pension they could, in theory, put it back in and get another slice of tax relief. Given that a quarter of their withdrawal is not taxed but the whole of any contribution back in to a pension attracts tax relief, there is potential for 'recycling' money round and round, out of pensions and back in, picking up extra tax relief every time. For obvious reasons, the government is not keen on this.

In order to limit the potential for recycling, the government introduced something called the 'Money Purchase Annual Allowance'. This is a special allowance which applies when individuals have started to withdraw taxable cash from their pension. Rather than being allowed to contribute £40,000 per year into a pension, such individuals were, until recently, only able to contribute £10,000 per year. This was designed to constrain their ability to repeatedly take money out of a pension and put it straight back in again.

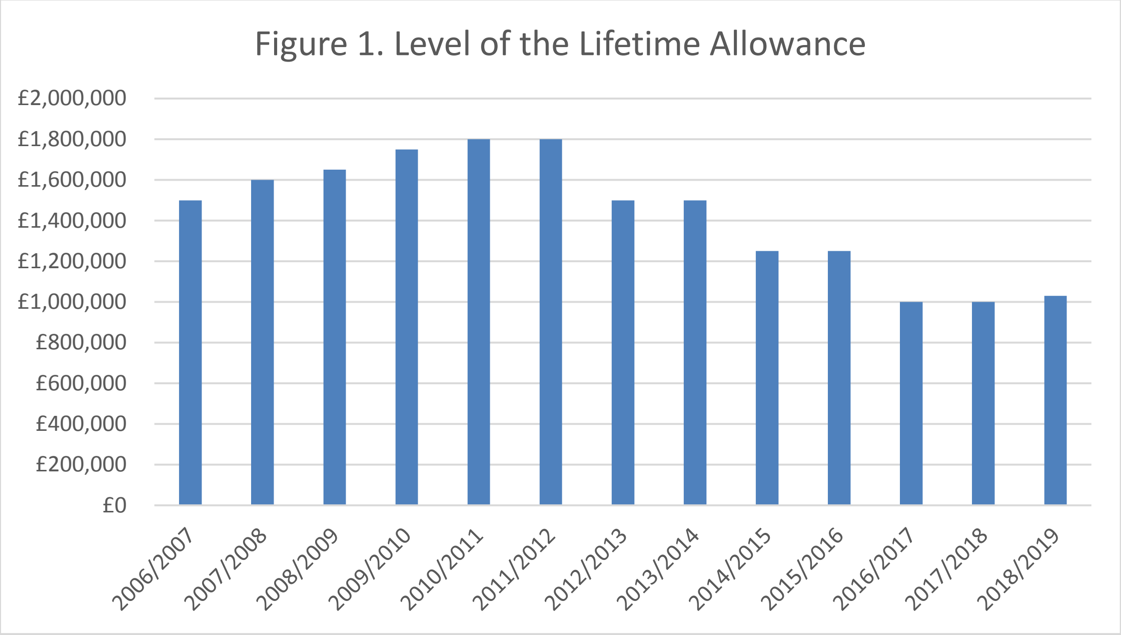
However, in a totally unexpected move, the current Chancellor used his first big 'fiscal event' in Autumn 2016 to propose a reduction in the MPAA from £10,000 to £4,000. In a subsequent consultation paper, HMRC provided little evidence that 'recycling' was proving to be a particular problem but the government insisted that the change was necessary. The 2017 General Election briefly delayed the implementation of this change but it was eventually introduced after the Election – with retrospective effect – from 6th April 2017.

In principle, there would be nothing to stop the Chancellor from further reducing the MPAA. As with some of the other changes we have considered, this would be so poorly understood that he would attract little political challenge for such a change.

However, the cut from £10,000 to £4,000 only raised around £70m per year for the government which is a tiny sum in the context of a target of £20,000m for the NHS. Whilst a further cut could raise some additional money, it is hard to think that it would be worth bothering.

d) The Lifetime Allowance (LTA)

As well as limits on the amount that can be paid into a pension with the advantage of tax relief, there is a limit on the total size of a pension pot that can be built up without incurring a tax charge. This 'Lifetime Allowance' (LTA) has been repeatedly cut, falling from £1.8m to £1.5m to £1.25m to £1m between 2010 and 2016. It was then frozen for a couple of years before increasing in line with inflation to £1.03m in 2018/19. Figure 1 shows how the rate of the LTA has changed since it was introduced in 2006/07.



Each time the LTA has been changed, a complex system of transitional protections has been needed. Those who were most affected by the change were able to apply for either a fixed level of LTA or a limit based on the size of their individual pension pot at the time of the change, and this has created whole new levels of complexity in the system.

Many would argue that having a tax relief cap on money going into pensions and a cap on the size of pots is unfair. The LTA is seen as particularly objectionable because those who invest their pension successfully can see their pot grow simply due to investment growth, even without putting in extra money, and can thereby breach tax relief limits and face a potential tax charge. There is also huge complexity around the way in which pension savings are tested against the LTA on particular occasions known as 'benefit crystallisation events'.

Notwithstanding the apparent unfairness and undeniable complexity of the system, there is little prospect that the Treasury will be minded to abolish or raise the LTA. Each time the limit is reduced, hundreds of millions pounds of additional tax revenue accrue to the Treasury and there is seldom much public outcry about the position of people with million pound pension pots.

In terms of the 2018 Budget it is certainly not impossible that the Chancellor could go back to the habit of his predecessor and cut the LTA. But on balance we think that this is unlikely. Having announced that the policy was to link the LTA to inflation and having implemented that policy for a single year, it would be yet another 'u-turn' if the LTA were now to be cut. If significant sums are to be raised by changes to the annual allowance, the Chancellor is likely to judge that changes to the LTA in addition would be unnecessary.

e) Tax free cash (AKA 'pension commencement lump sums')

One of the most attractive features of saving in a pension is the ability to draw out up to 25% tax free. As contributions into a pension attract tax relief and the investment growth inside a pension is heavily tax-advantaged, the additional ability to take out a tax free lump sum can make pension saving highly advantageous from a tax point of view.

Precisely because of these tax advantages, successive Chancellors have looked closely at different aspects of the tax relief system to see if revenue gains can be made, and this includes the place of the tax-free lump sum. As long ago as 1984, the former Chancellor Nigel Lawson told MPs in his Budget speech that he had considered doing something about this feature of the system. But in the end he backed off taking any action on what he dubbed 'the much loved but anomalous' tax free lump sum.

With pretty much every succeeding budget or autumn statement there is always speculation that this could be the one where this special feature of the pension tax system could come under attack. But millions of people are set to benefit from a tax free lump sum when they access their pension and it would be a brave Chancellor who sought to abolish this tax break at a stroke. A Chancellor with virtually no working majority in the House of Commons would find it impossible.

But this does not mean that nothing will ever be one about tax-free cash. The growing focus on 'intergenerational equity' has led some to focus on the tax free lump sum as one of many features of the tax system which works to the advantage of the older and better off at the expense of the young. In response, the 'Intergenerational Commission' run under the auspices of the Resolution Foundation has earlier this year proposed a cap of just £42,000 on the amount which individuals would be able to take out as a tax-free lump sum[4]. More recently the Liberal Democrats have passed a similar proposal as part of their party policy.

A cap at this level would create huge political challenges. Although most people do not have pension pots which would generate a £42,000 tax free lump sum, many people aspire to do so. And those who had planned on drawing a much larger lump sum, perhaps to pay off an interest only mortgage or for other purposes, would be outraged if their plans had to be ripped up on the eve of retirement. Any change would probably need to be accompanied by an extended transitional period to protect those closest to retirement who would have little chance to adjust to the new rules. And this in turn would mean that a Chancellor would get all the political flak from such a change with relatively little short-term revenue.

For this reason there seems little prospect that the current Chancellor will introduce a draconian cap on tax free cash. But now that think tanks and others have started to talk about the possibility of capping tax free lump sums, this probably increases the likelihood that a future Chancellor, perhaps of a different political complexion, would consider imposing some sort of cap. Such a cap might be introduced at a relatively high level in the first instance but could then be progressively lowered, rather as the LTA was been steadily lowered since it was first introduced.

[4] See: https://www.resolutionfoundation.org/advanced/a-new-generational-contract/

f) Other features of the system

When the present Chancellor used his first fiscal event to reduce the Money Purchase Annual Allowance (MPAA), many people will have had to consult their reference books to even find out what it was. This suggests that the Treasury will be looking at all of the corners of the pension tax relief system to see if there are other obscure features which could be changed to generate additional revenue.

Perhaps the feature of the system most at risk is the ability to 'carry forward' unused annual allowances for up to three years. The purpose of 'carry forward' is to help individuals who have fluctuating incomes to catch up on pension saving in the 'good years' after a period when they could only afford modest levels of pension saving. This might be of particular advantage to groups such as the self-employed whose incomes fluctuate more than most.

But there is nothing sacred about the ability to carry forward unused annual allowances for three years. It would be perfectly possible for the Chancellor to reduce this ability to two years, one year or even to abolish it altogether. As with other changes, there might need to be a transitional period where individuals were given time to alter their financial plans, but it is not hard to imagine that the ability to carry forward unused allowances is another 'corner' of the system which will be under close examination by the Treasury.

4. Where will the Chancellor's Budget axe fall – radical reform?

The great complexity of the pension tax relief system as outlined in the previous sections, the fact that it costs the Exchequer large amounts of lost revenue, and the fact that the system seems to give most benefit to those who need it least, have led many to argue that it is time for radical reform rather than constant tinkering.

The previous Chancellor used a 2015 Green Paper to float a very radical reform – replacing up-front pension tax relief with a system of 'pension ISAs' where contributions are made out of post-tax income but no further tax is paid when pension pots turn into pensions in retirement. From a Treasury point of view such a reform would be hugely attractive as it would bring forward tax revenues from the retired population to the working age population. However, after an extensive consultation period the Treasury opted to ditch this idea around ten days before the 2016 Budget.

A second option, also widely canvassed at the same time, would be to have a 'flat rate' of pension tax relief. As noted earlier, under the current system, standard rate taxpayers get £20 in tax relief when £100 goes into a pension, higher rate taxpayers get £40 in tax relief and additional rate taxpayers get £45. Some have argued that this is 'the wrong way round' in the sense that those on more modest incomes arguably need more help to put money aside for later life.

However, to move from the current system to a system where everyone got relief at the same rate – perhaps 25% or 30% - would be a huge step. There are several reasons why we think the October 2018 Budget is highly unlikely to announce such a change:

a) Virtually all higher rate taxpayers who save in a pension would lose from such a change, many to the tune of thousands of pounds; it is very hard to see a Chancellor in a minority government introducing a change which could create millions of losers on this scale; it is especially hard to see a Conservative Chancellor making such a change when most of the losers would be amongst his political heartland;

b) Such a change would take many years to implement. The legislation to introduce flat rate relief would be complex and need to be subject to extensive consultation. Even once the legislation was in place, pension schemes and providers would need years to amend their systems and HMRC would face massive upheaval; with HMRC IT resources already stretched to the limit by the need to devise new customs regimes for a post-Brexit world, it is hard to believe HMRC would have the capacity to cope with such a major change;

c) Although there would be many millions of gainers from a reform of this sort, the gains would be much smaller than the losses (because lower earners put much less money into pensions) and the system is so little understood that there might be little political credit to be obtained from the tax relief boost to lower earners;

d) Flat rate relief would be particularly challenging for Defined Benefit pension schemes; most of the remaining open DB schemes are in the public sector and are 'unfunded' – that is to say that there is no accumulated fund to pay future pensions; instead, this year's contributions are used to pay this year's pensions; for many reasons, seeking to raise revenue by limiting higher rate relief on unfunded DB pension schemes could be extremely complex and could take years to implement.

Although there is much discussion of the case for flat rate relief, moving from the high level principle that 'it would be nice' if tax relief was more evenly spread to the practicalities of implementing such a change would be challenging for a Chancellor with years to make reforms and a large Parliamentary majority at his back. The present Chancellor appears to have neither such advantage. As a result, bold radical reform of this sort is exceptionally unlikely to feature in the 2018 Budget.

5. Conclusions and likelihood of each change

Given the Chancellor's weak position politically, it is very unlikely that he could use his 2018 Budget to announce a radical reform of pension tax relief. But given his urgent need for money for the NHS, and the limited scope for raising other taxes, it does seem likely that pension tax relief will be raided, as it has been on regular occasions over the last decade.

The following table summarises the key options which the Chancellor will be considering together with our assessment of the likelihood of each happening:

Measure	Likelihood
Annual Allowance: across-the-board cut to £35k or £30k	8/10
Annual Allowance: threshold at which high earners start to face reduced allowance cut from £150k to £125k	8/10
Annual Allowance: special 'Money Purchase Annual Allowance' cut further from £4k	3/10
Lifetime Allowance: freeze or cut from £1.03m	4/10
Tax free lump sums – new cap introduced	2/10
Detailed changes – eg reduction in ability to 'carry forward' unused allowances from previous years	3/10
Radical reform – eg 'flat rate' tax relief for all savers	1/10

As the table shows, none of the reforms gets a 10/10 score. This is because planning a Budget involves complex trade-offs between rebalancing spending priorities, judging acceptable level of borrowing, and evaluating a wide range of potential revenue raising measures. On this basis it is seldom possible to say with certainty that a particular change will definitely happen. But we do think that some of the changes listed above are highly likely.

By contrast, we can say with near-certainty that bold, radical reform is exceptionally unlikely. If a reforming Chancellor with a majority in Parliament such as George Osborne shied away from radical reform of pension tax relief after more than six months of public consultation in 2015/16, it is hard to believe that a Chancellor with a precarious position in Parliament will announce a major overhaul, creating lots of gainers and losers, in a Budget in a few weeks' time.

We conclude where we started. We believe that pensions are a long-term business and what people want most of all is stability. If they are to plan for the long-term they do not want to think that the tax treatment of their pension saving could be changed on a near annual basis. Ideally, the Chancellor would not only refrain from changing tax relief in this Budget but he would announce that the regime will remain unchanged for at least the rest of this Parliament. On past form, sadly, we think this is the least likely outcome of all.

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