

Proposed changes to money purchase annual allowance

The government has plans to reduce the Money Purchase Annual Allowance (“MPAA”) from £10,000 per annum to £4,000 per annum from April 2017. While the proposed reduction is subject to a consultation and confirmation in regulations due in 2017, we’ve out below a reminder of when the MPAA is triggered.

The MPAA is the limit you can pay, each year, into money purchase arrangements, tax free. It only applies if you’ve accessed some of your pension benefits, usually if you’re over 55.

The MPAA does **not** apply to a member drawing USS benefits if you are;

- Taking flexible retirement from USS;
- Taking flexible retirement from USS with the benefit of the Money Purchase AVC (“MPAVC”) fund being added to a USS pension and/or lump sum;
- Retiring (flexibly or not) with a tax-free lump sum;
- Retiring and leaving a portion of your USS Investment Builder invested.

The MPAA does apply to a member drawing USS benefits if:

- You withdraw funds from the USS Investment Builder as an Uncrystallised Funds Pension Lump Sum (“UFPLS”) after retiring.

If you have other pension savings outside USS, the MPAA can also be triggered

This can affect the amount that can be paid into the USS Investment Builder or MPAVC arrangement without a tax charge applying.

If, for example, you withdraw a lump sum from a money purchase fund (like a personal pension) that is taxable by HMRC or you withdraw taxable income from a defined “drawdown” product outside of USS, then the MPAA rules would be triggered.

This is how the MPAA currently works and there are no proposals for that to change, only the overall allowance is being assessed at this point.

[Please visit the tax page for regular updates on pensions tax.](#)

If you have any queries about USS benefit options in general please follow the [contact us options set out here](#).

Member news

[Tax consideration news](#)[Retirement news](#)[Scheme change news](#)[Back to member news](#)