THE
NATIONAL LAW REVIEW

Budget Resolutions And The UK General Election: What Does It Mean For Pensions?

Friday, April 21, 2017

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A client asked me a pertinent question yesterday, along the lines of: "*Do the pensions changes announced in the last Budget still stand given that they are not yet enshrined in legislation and Parliament is soon to be dissolved?*"

The short and unhelpful answer is: "It depends…" But what exactly does it depend upon?

By way of a reminder the main pensions changes relate to a reduction in the money purchase annual allowance, a new tax charge on overseas transfers, and amendments to the tax treatment of foreign pensions.

As a start point it is helpful to consider the usual process following a Budget (but please note that this is only a summary).

- **Problem**. Income and corporation tax can only be charged in a year for which a Finance Act provides that they may be charged. Given that the Budget was in March (i.e. towards the end of one tax year) and the Finance Act would not normally receive Royal Assent until the summer (i.e. after the start of the next tax year) the Government needs authority to collect taxes during the gap period (i.e. from the start of the tax year until the date of Royal Assent).
- **Solution**. A series of 'ways and means resolutions', known as the Budget Resolutions, giving the Government the authority it needs are normally debated and passed shortly after the Budget. Once passed, Budget Resolutions have the force of an Act of Parliament but cease to have effect if the Finance Bill does not get a second reading in the House of Commons within 30 days of its publication, or if the Finance Bill does not get Royal Assent within seven months.

However, we now have a general election to throw into the equation. The Budget Resolutions will also cease to have effect on 3 May, the day Parliament is dissolved in anticipation of the election.

The current Finance Bill is the longest on record stretching to over 760 pages. Pensions may have escaped relatively lightly in this year's Budget (for a change) but the Bill also contains a lot of complex legislation that fundamentally redefines some of the bases for taxation in the UK. With proper scrutiny of Finance Bills in recent years being a particular area of concern for both practitioners and the House of Lords Treasury Committee alike, one would hope that a Bill this weighty and important would not be rushed through in full.

What next?

A Finance Bill of some description will need to be passed before Parliament is dissolved. As a result, the current Bill is likely to be split into two (or possibly even three parts) with the first part being debated and passed very quickly to give the Government the necessary powers to continue to raise taxes and allow any other 'uncontroversial' provisions to become law without further debate. The Government is likely to include provisions in that first Bill that have already been the subject of public consultation and anything else the opposition parties allow. We do not yet know whether pensions provisions will form part of the legislation that is considered to be 'uncontroversial', and therefore enacted quickly under this 'wash-up' process, but the shortened (if at all) Bill is expected to complete all remaining stages of its passage through the House of Commons on a single day, next Tuesday, 25 April.

Depending on the result of the election, the excluded provisions (if any) will be represented to the House as a further Finance Bill post-election and will be debated in accordance with the more normal procedures. As a result of the election and summer recess, the timing of Royal Assent for that further Bill is unlikely before September 2017. To complicate things yet further, again entirely dependent on the result of the election, it is also possible that there could be an emergency, summer, Budget in late June or early July…

The good news is that the proposed move to an autumn Budget should reduce these types of complications in the future… assuming, of course, that proposal itself survives into the new Parliament.