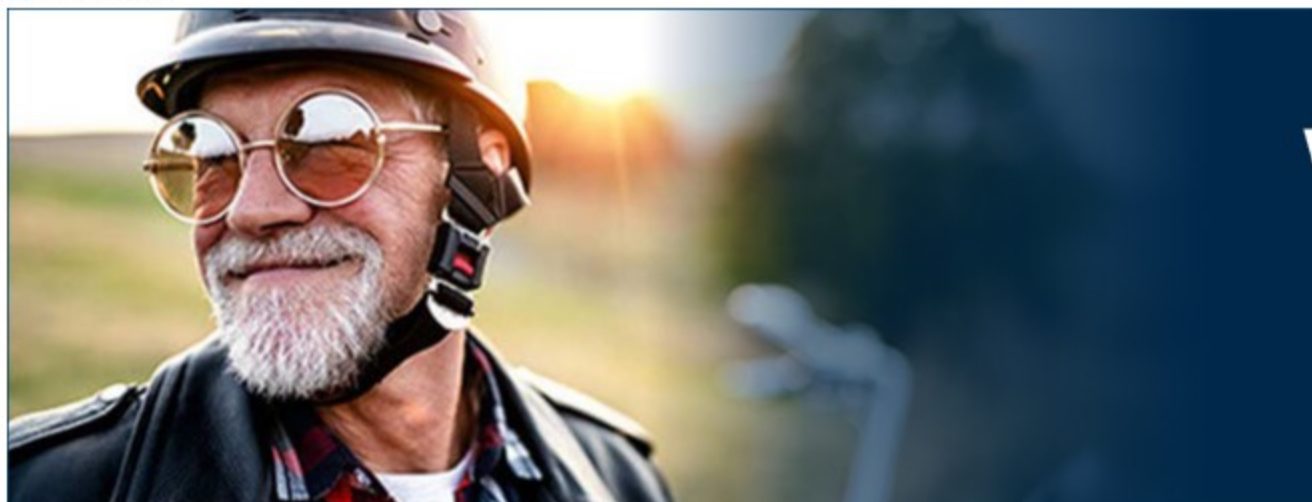


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Hands off our pensions! Reeves told amid panic over a budget tax raid on retirement pots

By HUGO DUNCAN

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Rachel Reeves has been urged to rule out a further tax raid on pensions for the rest of this Parliament to avoid a repeat of the panic over her first Budget.

In a powerful intervention on behalf of those saving for retirement, ex-pensions ministers lined up with industry chiefs to seek reassurance from the Chancellor.

They told the Mail certainty was needed – after rumours of tax changes in Labour's first Budget for 14 years triggered a rush to withdraw cash from pensions.

Former pensions minister Steve Webb said 'constant speculation' about changes to pension taxes was 'highly damaging'.

And writing in the Mail, AJ Bell chief executive Michael Summersgill called on Reeves to commit to a 'Pensions Tax Lock' that promises 'not to mess with the fundamentals of the pension tax system in this Parliament'.

Ahead of the Budget in October, speculation mounted that Reeves was planning a tax raid on pension pots as she struggled to make her numbers add up.



Under fire: Chancellor Rachel Reeves (pictured) has been urged to rule out a further tax raid on pensions for the rest of this Parliament

Among the options were cutting tax relief on the pension contributions of higher earners and slashing the amount savers can withdraw tax-free at the age of 55 from £268,275 to £100,000.

The threat to the tax-free lump sum proved particularly damaging as savers rushed to withdraw cash from their pension pots, despite warnings it would leave them worse off in retirement.

Reeves finally decided against such a move – but instead introduced a new death duty by dragging pension pots into inheritance tax for the first time.

She is now under pressure to rule out further changes – giving savers the certainty they need to plan for their retirement.

Ros Altmann, another ex-pensions minister, said: 'The Chancellor needs to think carefully about the damage done to make sure she doesn't do any more.'

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Webb, now a partner at pension consultants LCP, called on Reeves to 'confirm that the pension tax relief system will be left alone for the next five years'.

He added: 'This would create a welcome period of stability. The constant speculation about changes to pension tax relief is highly damaging and even led some people to make poor financial decisions in the run-up to the October Budget for fear of what might be about to change.'

Richard Wilson, head of Interactive Investor, said: 'Constant speculation around pension tax relief hampers people's ability to plan and save, and can lead to panic decision-making.'

'A firm commitment that tax reliefs are to be protected would provide welcome stability when we should be doing everything we can to encourage more people to save and invest for their future.'

Mark FitzPatrick, head of St James's Place, said: 'Bringing pensions into inheritance tax will have been a shock to many.'



'We need to avoid further changes to pension tax and relief, or we risk damaging the reputation of the UK's most widely known and stable long-term investment vehicle.'

Rule out any changes now

COMMENT by **MICHAEL SUMMERSGILL** AJ Bell chief exec

People who responsibly set money aside long before retirement should not be subject to endless speculation about how it may or may not be taxed.

Yet the tax treatment of pensions is amended with monotonous regularity.

The Chancellor should commit to a Pensions Tax Lock, promising not to mess with the fundamentals of the pension tax system in this Parliament, and laying down the gauntlet to any successor tempted to do so.

That Pensions Tax Lock, promising not to tinker with key features of the pension system, such as tax relief on contributions and tax-free cash, would deliver confidence for savers and signal that this Government is serious about supporting long-term prosperity.

After all, pensions are the very definition of a long-term investment.

Ahead of the Autumn Budget some savers made big decisions on speculation about possible pensions tax reform.

Some were clearly worried the Government might pull the rug from under savers' feet. That can damage faith in the system and undermine incentives to invest.

A commitment to stability would allow more people to plan ahead with certainty, signalling that this Government is serious about helping people invest for the future with confidence.

At AJ Bell we will continue to campaign for stability and simplicity for ordinary investors, helping to make it easy for people to invest and plan for the long term.