HMRC U-Turn on Income Drawdown

Good news this week from HMRC, as they back track on rules that may have forced some investors to stay in costly or poor performing Income Drawdown arrangements. Under the new rules introduced on 6th April any savers switching drawdown providers would be subject to the new, lower limits under Capped Drawdown. Under the new rules, the maximum capped withdrawal from pensions is 100% of the Governments Actuarial Department (GAD) rate, rather than 120% under the former rules. Whilst the previous five year reviews have been replaced with triennial or yearly assessments once age 75 is attained.

However, HMRC has now changed its rules so that investors already in Drawdown can switch providers, transferring both funds already in Drawdown and those not yet in Drawdown so that they do not come under the new regime until their current 5 year review period ends, which could be as late as 2016.

I believe that this is a very positive outcome, removing what appeared to be an arbitrary pensions restriction.