NEW PENSION TAX RELIEF RULES – 2011/12 ONWARDS

1. Introduction

The Coalition Government has now set out how the pension tax relief rules will operate from the 2011/12 tax year. Major changes will be made to the annual allowance provisions (effective from 6 April 2011) and to the lifetime allowance rules (effective from 6 April 2012). These changes are designed to provide the Treasury with the £4 billion that would have been provided by the heavily criticised 'High income excess relief charge' (HIERC) provisions, which will now be repealed.

The main changes are set out in the following documents:

- The Government's response to the discussion paper http://www.hm-treasury.gov.uk/d/restricting_pensions_summary141010.pdf
- The written ministerial Statement by Mark Hoban, the Financial Secretary to the Treasury http://www.hm-treasury.gov.uk/d/wms_pensionstaxrelief_141010.pdf
- The initial legislation to be included in the Finance Bill 2011 together with explanatory notes http://www.hmrc.gov.uk/pensionschemes/aa-draft-leg.pdf
- Draft guidance notes issued by HMRC http://www.hmrc.gov.uk/pensionschemes/annual-allowance/index.htm
- The report by the Government Actuary's Department on setting the valuation factor for DB benefits http://www.hm-treasury.gov.uk/d/gad_reducingtheannualallowance_141010.pdf

This note will set out the main changes and then consider the implications for pension planning.

2. Summary of main changes

2011/12

- The HIERC legislation, due to take effect from 6 April 2011 will be repealed.
- The Annual Allowance (AA) will be reduced to £50,000 from 6 April 2011. The Government will 'consider options' for indexing the AA for tax years 2016/17 onwards, ie the AA will be frozen until at least then.
- Where an individual exceeds the AA in a tax year, he may be able to avoid an annual allowance charge (AAC) by taking account of any unused AA in the three immediately preceding tax years, ie carry forward has been reborn.
- For active members of DB schemes, benefits will be valued for AA purposes using a 16 times multiple after allowing for salary inflation in line with the CPI.
- As now, there will generally be no AA calculation for deferred members of DB schemes.

- There will be no exemptions from the AA for cases of redundancy or in the year in which all benefits are crystallised under a scheme.
- Pension input periods (PIPs) will continue as at present, so that the end date can be selected by the scheme and will not be automatically aligned with the tax year. Complex transitional provisions will, however, apply where a PIP commencing before 14 October 2010 ends in 2011/12 tax year.
- Where an AAC is due, the excess subject to that charge will be treated as the top slice of the individual's income, meaning that *all* tax relief will be lost on that excess amount. However, the Government is looking at ways to collect the charge from the pension arrangement rather than the individual.
- There will be no cap on the rate of pension tax relief, ie 50% relief will become possible, which would not have been the case for the HIERC.
- From 6 April 2011, new legislation 'will ensure that funded EFRBS are less attractive than other forms of remuneration'.

2012/13

- The standard lifetime allowance (LTA) will be reduced to £1.5 million. There is no indication that the LTA will subsequently be indexed.
- Complex transitional provisions will be introduced for those individuals who:
    - Have primary protection
    - Have no transitional protection, but have pension benefits currently valued in excess of £1.5 million
    - With pensions currently valued at less than £1.5 million, but who feel that the investment growth/benefit revaluation may take their pension value over £1.5 million
  - Enhanced and primary protection will be retained, but enhanced protection will no longer be exempt from the AA test.
  - The trivial commutation level will be fixed at £18,000 and de-linked from the LTA.

3. The annual allowance changes

3.1 Amount of annual allowance

With effect from tax year 2011/12 the annual allowance will be reduced from £255,000 to £50,000. It will remain at that level up to and including tax year 2015/16. After that the Government will consider options for indexing the allowance.

3.2 Pension input period

Each scheme under which a member accrues benefits will have a pension input period and it will be the aggregate value of a member's pension savings in all pension input periods ending in the tax year concerned that will be set against his annual allowance limit for that tax year.

Schemes will continue to be free to select their own pension input period end dates – the Government has rejected the idea of aligning all pension input periods with the tax year end.

As individuals may already have paid contributions to, or accrued benefits under a scheme that has a pension input period ending in 2011/12, there are special transitional provisions (see section 3.6) to address the substantial fall in the annual allowance in 2011/12 from £255,000 to £50,000.

Apart from the new transitional provisions, the only change in respect of the rules regarding pension input periods is that from 6 April 2011 it will not be possible to change a pension input end date to a date that has already passed. The ongoing ability for a member of a money purchase scheme to amend the pension input period is very important. This means that an individual who is not currently subject to the special annual allowance could set up a new money purchase plan before 5 April 2011 and amend the pension input period end date to no later than 5 April 2011. This would mean any contributions would be subject to the 2010/11 annual allowance of £255,000, enabling the individual to maximise their pension provision now, subject to the normal tax relief rules and the lifetime allowance. This point is considered further in the section on pension planning later in this document.

3.3 Valuation of benefits

The following pension input will be tested against the member's annual allowance:

Type of Scheme	Input Tested
Money purchase	Contributions paid by member and/or by a third party and/or employer on behalf of the member
Defined benefit	16 times the increase in the member's pension entitlement during the pension input concerned after allowing for indexation of the benefit at the beginning of the year in line with the increase in the CPI over the 12 months to the September preceding the beginning of the tax year concerned, eg in 2011/12 the annual CPI to September 2010 would apply.
Hybrid, providing money purchase and DB benefits	The greater of the pension input for the money purchase and value of the increase in CPI-adjusted DB benefits.

The example below illustrates how the calculation will operate for a member of a DB scheme.

Annual Allowance: DB Scheme Calculation

Christopher is a member of a DB scheme. His scheme pension input period ends on 5 April each year. On 6 April 2011 he had an accrued pension entitlement of 30/60ths of his then pensionable salary of £50,000 (ie £25,000). By 5 April 2012 his pension entitlement had increased to 31/60ths of his increased pensionable salary of £55,000 (ie £28,416.67).

Christopher's pension input from his DB scheme in respect of tax year 2011/12 is calculated as follows:

Opening value = 16 x £25,000 =	**£400,000**

This must be increased by the percentage increase (3.1%) in the CPI in the 12 months to September 2010 (ie the September immediately before the tax year 2011/12 to which the pension input related).

Uprated opening value = £400,000 x 1.031 =	**£412,400**
Closing value = 16 x £28,416.67 =	**£454,667**
Pension input in 2011/12 = £454,667 - £412,400 =	**£ 42,267**

If this were Christopher's only pension input in 2011/12, there would be no annual allowance charge (and he would have £7,733 of unused allowance to carry forward).

3.4 Carry forward

If an individual exceeds his annual allowance in a tax year, he will have the opportunity to use any unused annual allowance in respect of the three immediately preceding tax years.

To be able to take advantage of the carry forward provisions in respect of an earlier tax year, the individual must have been a member of a registered pension scheme in that tax year. The draft legislation indicates that there was no need for any pension input in those years – merely that the individual was a member of a registered pension scheme. The guidance notes issued by HMRC, however, indicate that the individual must have had pension savings in the carry forward year in question. We have raised this seeming contradiction with HMRC and are awaiting their response.

Where use is made of carry forward, the unused annual allowance will be taken in respect of the earliest tax year first (ie FIFO – first in, first out).

Carry forward will be available in respect of tax years 2008/09, 2009/10 and 2010/11, but the following special rules will apply to these years:

- The maximum annual allowance in each of these years will be deemed to be £50,000 (and not the substantially higher annual allowances that actually applied).
- When determining the amount of the annual allowance used in those years for a member of a DB or cash balance scheme the new annual allowance valuation rules will apply (ie a multiple of 16 times with allowance for CPI revaluation when determining the opening value).
  For the above purposes it should be noted that the percentage increase in the CPI over the 12 months to September prior to these tax years has been as follows:

Tax year	**CPI Increase**	**12 months to September**
2008/09	1.8%	2007
2009/10	5.2%	2008
2010/11	1.1%	2009

The following examples will demonstrate how carry forward can operate:

Carry Forward: Money Purchase Arrangement

John is a member of a SIPP, which is his only pension plan. He has Relevant UK earnings of £120,000 in tax year 2011/12 and paid a contribution of £75,000 gross. During tax years 2008/09 to 2010/11 he had made the following contributions:

2008/09	£70,000
2009/10	£30,000
2010/11	£20,000

John's potential carry forward relief is:

Tax year	Pension input	Deemed annual allowance	Unused allowance
2008/09	£70,000	£50,000	nil
2009/10	£30,000	£50,000	£20,000
2010/11	£20,000	£50,000	£30,000

Although John's gross contribution of £75,000 in 2011/12 exceeds his annual allowance of £50,000 by £25,000, he is able to carry forward his £20,000 unused allowance for 2009/10 and £5,000 of his unused allowance for 2010/11, so that there is no annual allowance charge to pay. His remaining unused relief of £25,000 for 2010/11 will be available to be carried forward should his pension input in tax year 2012/13 and/or 2013/14 exceed his annual allowance for those years.

Carry Forward: Defined Benefit Scheme

Gary, aged 60, is a member of a final salary scheme providing 1/60th of his final pensionable salary for each year of his pensionable service. It is his only pension arrangement. At the beginning of his scheme pension input period ending in tax year 2011/12 he had completed 30 years' service and had pensionable salary of £60,000. During that pension input period Gary was made redundant and his employer increased his pension entitlement to £35,000 as part of his redundancy package.

The opening CPI-adjusted value in 2011/12 is:
30/60 x £60,000 x 16 x 1.031 = **£494,880**

The closing value of Gary's benefits is:
£35,000 x16 = **£560,000**

Gary's pension input for 2011/12 is £65,120. This exceeds his annual allowance in 2011/12 but he is able to take advantage of carry forward.

In his pension input period ending in tax year 2008/09 Gary's pension entitlement under his final salary scheme had increased from £23,400 to £25,200. Using the new annual allowance calculation for DB benefits this would mean that in 2008/09 Gary would have:

The opening value in 2008/09 using the September 2007 CPI is:
£23,400 x 16 x 1.018 = **£381,139**

The closing value in 2008/09 is:
£25,200 x16 = **£403,200**

Pension input for 2008/09 = £403,200 - £381,139 = **£ 22,061**

This means Gary has £27,939 of unused relief for 2008/09 and £15,120 of this can be carried forward to tax year 2011/12 to ensure that he has no annual allowance tax charge in that year.

3.5 Exemptions from annual allowance

A member will have no pension input under an arrangement to which the annual allowance applies in a tax year in which he/she:

- Dies
- Retires on the grounds of serious (terminal) ill-health (ie where his/her expectation of life is one year or less) from that arrangement
- Is a deferred member of that arrangement (see below)

An increase in the benefits of a deferred member of a DB or cash benefit scheme during a pension input period will only be ignored for annual allowance testing purposes where the benefits are increased by no more than:

- The basis laid down for increases in deferred benefits by the rules of the pension scheme concerned as at 14 October 2010. For this purpose, account is only taken of the increase in respect of non GMP benefits, or
- Otherwise, if the increase is greater than the increase in the CPI over the 12 month period to 1 September immediately prior to the tax year to which the increase relates.

The benefits of a deferred member of a money purchase scheme, which increase in accordance with fund growth, will not be subject to testing against the annual allowance.

The current exemptions in respect of a member with enhanced protection and in the year where all benefits are crystallised under a scheme will no longer apply.

The Government will consider the possibility of providing some sort of exemption for the provision of ill-health benefits (other than on terminal illness) but wishes to consider how such an exemption will work, and how to manage the risks of avoidance it will open up. It will provide draft Finance Bill 2011 clauses concerning this, which should be issued later in 2010.

The Government considered the case put forward for an explicit exemption in respect of redundancy payments but rejected this. It felt that such individuals whose pension benefits were substantially increased on redundancy would, in most cases, be able to use the new carry forward provisions to avoid any annual allowance tax charge.

The Government is aware of the potential annual allowance problems that can be posed by a substantial increase in the benefits of a DB member where he has perhaps had a pay increase significantly above inflation or a benefit enhancement arising from early retirement or redundancy. While the Government does not intend to introduce any exemption from the annual allowance in such circumstances it is “content for schemes to smooth pensionable pay and accruals before benefits are put into payment, in order to manage away spikes. However, it will take appropriate action against manipulation in order to avoid payment of tax that is properly due, for example, where the smoothing of accrual extends beyond the date at which employment ends.”

3.6 Transitional provisions

The Government will include special transitional provisions for the assessment of an individual’s pension savings against the annual allowance where:

- those pension savings were made in a pension input period, which started before 14 October 2010, and which ends in tax year 2011/12, and
- some or all of those pension savings arose from contributions/pension accrual in that pension input period on or before 13 October 2010.

If the above criteria are met:

- The maximum tax relievable pension savings will be £50,000 in respect of any such savings made on or after 14 October 2010.
- Subject to this proviso, the maximum tax relievable pension savings in the complete pension input period will be £255,000.

Where an individual is a member of a final salary scheme or cash balance scheme there is a further complication in that any benefit accrued in the pension input period up to 13 October 2010 will be valued using a multiple of 10, while benefit accrued from 14 October 2010 to the end of the pension input period will be valued using a multiple of 16 together with an appropriate CPI adjustment to the opening value (see example in section 3.3 above).

The following examples will demonstrate how this transitional provision works.

Transitional Relief: Money Purchase Arrangement

Ken's company pays £20,000 on the first of each month to his personal pension scheme, which is his only pension arrangement. Ken also personally paid a single contribution of £5,000 on 1 February 2011, safe in the knowledge has was not subject to the special annual allowance. His current pension input period runs from 1 June 2010 to 31 May 2011.

Period	Contributions paid in pension input period ending 31 May 2011
1 June 2010 to 13 October 2010	£100,000
14 October 2010 to 31 May 2011	£145,000

Although Ken's total contributions are below £255,000, the £145,000 contributions paid in the period from 14 October 2010 to 31 May 2011 exceed the £50,000 limit for that period.

Of Ken's total contribution of £245,000, only £150,000 can be paid without an annual allowance charge (assuming Ken is unable to take advantage of any carry forward provisions). This comprises the £100,000 contributions paid prior to 13 October 2010 and £50,000 of the contribution paid after that date.

Transitional Relief: DB Arrangement

Hazel is a member of an N/60ths final salary scheme, which is her only pension scheme. At the start of her scheme's pension input period on 1 August 2010 she had completed 35 years' pensionable service. On 1 August 2010 she had pensionable pay of £30,000, which had increased to £32,000 by 13 October 2010 and had further increased to £35,000 by the end of the scheme pension input period on 31 July 2011.

Hazel's pension input is calculated in two parts:.

Pension input 1/8/2010 to 13/10/2010

Opening value: 35/60 x £30,000 x 10 =	**£175,000**	
Closing value: 35.2027397†/60 x £32,000 x 10 =	**£187,748**	
Increase in pension input = £187,748 - £175,000 =		**£12,748**

†*based on 74 days from 1 August 2010 to 13 October 2010 inclusive*

Pension input 14/10/2010 to 31/7/2011

Opening value: 35.2027397/60 x £32,000 x 16 =	**£300,397**	
This is increased by the increase in the CPI over the 12 months to September 2010 (3.1%).		
CPI-adjusted value: £300,397 x 1,031 =	**£309,709**	
Closing Value: 36/60 x £35,000 x 16 =	**£336,000**	
Increase in pension input = £336,000 - £309,709 =		**£26,291**
Hazel's total 2011/12 pension input = £12,748 + £ 26,291=		**£39,039**

The aggregate pension input is comfortably within the overall £255,000 limit while the £26,291 input in respect of the post 13 October 2010 accrual is well within the £50,000 limit and therefore Hazel is not subject to an annual allowance tax charge.

3.7 Notifying HMRC

Where an individual's pension savings exceed the annual allowance and a tax charge is due they will be responsible for notifying HMRC via their self assessment tax return.

An individual can request the administrator of his scheme to provide a 'pension savings statement' of the amount of the pension savings made by and/or on their behalf in respect of the current, and any one or more of the three immediately preceding, tax years. Such a request can be made free of charge once in respect of each tax year. This statement must be provided by the scheme by the later of:

- 6 October following the end of the relevant tax year, and
- Three months after receiving the request from the individual

Where an individual has pension savings in an arrangement that exceeds the annual allowance, the scheme administrator will be required to provide the individual concerned with a statement of his pension savings in that tax year, and the three immediately preceding tax years, by no later than 6 months after the end of the relevant tax year, eg 6 October 2013 for tax year 2012/13.

For tax year 2011/12 only, schemes will be allowed an extra year, ie until the 6 October 2013, to provide these statements. Where this delay means that an individual does not have sufficient information to complete their 2011/12 tax return, they will be able to include an estimated figure in their self assessment tax return. They will then have up to 12 months from the filing date of the return to produce an accurate figure and either pay any additional tax and interest due, or receive any refund due if tax has been overpaid. HMRC will provide guidance on how an individual can estimate his pension input amount.

To enable schemes to be able to meet the above deadlines, employers will be required to provide information about employees' pensionable pay and benefits, and length of service to final salary schemes by 6 July following the end of the relevant tax year. For tax year 2011/12 only, they will be allowed to delay providing this information until 6 July 2013.

The Government will be providing draft regulations on these information requirements in early 2011. HMRC will also issue draft guidance before April 2011.

3.8 Payment of tax

The Government recognises that in a few cases, typically of long-serving members of DB schemes, large tax charges could arise. Such charges are only likely to arise where the individuals have had consistently high pension savings amounts over the last few tax years and are, as a consequence, unable to take advantage of carry forward.

In such cases the Government is prepared to consider options for those individuals to pay the charge out of their pension entitlement rather than current income. In its response to the consultation paper it puts forward two possible options:

- For the scheme to pay the charge for the member at the time it arises.
- For contributions in excess of the annual allowance, or tax liabilities, to be rolled up to the point of benefit crystallisation. Adjustments could then be made to either the member's pension benefits or lump sum to offset the tax liabilities.

The Government will bring forward proposals in November 2010 for consultation. Draft clauses on the chosen approach will be issued in February 2011.

4. The lifetime allowance changes

4.1 Amount of lifetime allowance

With effect from tax year 2012/13 the standard lifetime allowance (SLA) will be reduced from £1.8 million to £1.5 million. No indication is given in the Government's response to the discussion paper on whether this will be increased in future years.

4.2 Transitional considerations

The reduction in the SLA raises a number of issues, including:

- The treatment of benefits that are currently linked to the SLA. These include primary protection, scheme specific protected cash and triviality. The Government indicated that "preserving these protections is important to demonstrate the Government's commitment to the stability and predictability of the UK pensions tax regime."
- The treatment of those individuals, without enhanced or primary protection, but whose benefits currently have a value between £1.5 million and £1.8 million
- The treatment of those individuals, without enhanced protection, whose benefits are currently valued at less than £1.5 million, but which are expected to exceed that figure by the time they are crystallised. The Government refers to this as 'pension growth protection'.

The Government has indicated that individuals with existing forms of protection will not face retrospective charges as a result of the reduction in the SLA. In particular, it indicated that:

- The current 'personalised lifetime allowances' of those with primary protection are not reduced due to the reduction in the SLA. It is unclear how they will do this as the primary protection factor is applied to the SLA. Will they apply an upper limit based on the £1.8 million SLA? Or how else will they deal with this?
- The triviality limit, which is currently 1% of the SLA, will be delinked from the SLA and set at £18,000.

It is interesting that no comment has been made on scheme specific protected cash. Uprating in line with the SLA forms an essential element of the protected cash calculation, and any change to this could substantially reduce the attractiveness of protected cash particularly if investment returns are depressed, reducing the ALSA element of the calculation.

While the Government is prepared to discuss with the pensions industry the options for those with 'pension growth protection', it has put forward an option, which is similar to the existing enhanced protection requirements. Under this the individuals would be given a standard lifetime allowance of £1.8 million, but would in return be unable to pay any further contributions to a DC scheme, or receive additional accrual as an active member of a DB scheme. Their lifetime allowance would revert to the normal level if these conditions were broken. The attractiveness of this option will depend on the likelihood of an increase in the £1.5 lifetime allowance.

The Government will decide on the basis of the transitional protection later in 2010 and plans to include draft clauses of the Finance Bill 2011 by the end of 2010 for consultation

4.3 Other aspects

The normal level of PCLS will continue to be restricted to the lesser of 25% of the value of the member's benefits and 25% of the SLA.

The Lifetime Allowance valuation factor for the benefits being paid from a DB scheme will continue to be a multiple of 20.

5. Pension planning

Any pension contributions paid on or after 14 October 2010 need to take appropriate account of:

- The member's annual allowance in 2010/11 and in 2011/12
- The special annual allowance in 2010/11
- The member's lifetime allowance (and the potential impact of the reduced lifetime allowance from 2012/13)
- The tax relief rules for personal and employer contributions

A contribution paid on or after 14 October 2010 *may* be subject to assessment against the member's annual allowance in 2010/11 or 2011/12 depending upon whether the pension input period of the scheme to which it was paid ends in tax year 2010/11 or 2011/12. Opportunities exist to maximise contributions in both 2010/11 and 2011/12.

Individual not subject to the special annual allowance

An individual, who is not subject to the special annual allowance, can in theory maximise their contributions and set these against the annual allowance of £255,000 in 2010/11. In practice this virtually always will mean maximising employer contributions, as relief for personal contributions are limited to 100% of UK relevant earnings.

HMRC have confirmed that an individual who effects a new money purchase pension arrangement on or after 14 October 2010 can elect to bring forward the end date of the pension input period to any date before 6 April 2011. This would mean that any contributions paid would be set against his annual allowance of £255,000 for 2010/11.

The following example demonstrates how this could work.

2010/11 Planning: No Special Allowance Charge

Joe, aged 61, is a controlling director with current remuneration of £60,000. He is not subject to the special annual allowance. His company has had an extremely successful year and has current profits of over £300,000.

Joe has made little pension provision up until now as he has used any spare cash to develop his business. However, he now realises that his business may not be his pension and he has become alarmed by the restrictions on pension tax reliefs introduced by successive governments. He wants to use as much of the company profits as possible to maximise his pension provision while he can.

Joe is recommended to set up a SIPP, which he does on 1 November 2010. This will normally have a pension input period end date of 1 November 2011. However, Joe wants to take advantage of the £255,000 annual allowance in 2010/11. He therefore elects to change the end date of his SIPP to 1 April 2011, so that any contributions paid to his SIPP before then will be set against the AA in 2010/11.

The maximum personal contribution on which he could obtain relief would be £60,000, his Relevant UK Earnings. However, his employer could pay a contribution on his behalf of the full £255,000 and obtain relief on this, provided it is deemed as being paid ‘wholly and exclusively for the purposes of the trade’.

As Joe has made virtually no other pension provision previously his benefits will remain well within the reduced lifetime allowance.

Individual subject to the special annual allowance

An individual currently subject to the special annual allowance will be able to maximise pension savings in 2010/11 up to the greater of their protected pension input and the special annual allowance (ie normally £20,000, but potentially up to £30,000 where at least £90,000 of ‘infrequent money purchase contributions’ have been paid in tax years 2006/07, 2007/08 and 2008/09). Any pension inflow in 2010/11 in excess of the relevant amount will be subject to a tax charge, which will effectively reduce the tax relief granted on that portion to basic rate.

Where an individual has restricted their contributions in tax years 2009/10 and 2010/11 because of the special annual allowance, they will have the opportunity to maximise contributions in tax year 2011/12, as the following example demonstrates.

2010/11 Planning: Special Allowance Charge Applies

Helen, aged 55, had relevant income of £150,000 in tax year 2009/10, meaning she was subject to the special annual allowance in that year and 2010/11. She has existing pension arrangements worth around £500,000. Her recent contributions record is as follows:

Tax year	Contribution paid	Deemed annual allowance	Available carry forward
2008/09	£80,000	£50,000	nil
2009/10	£20,000†	£50,000	£30,000
2010/11	£20,000†	£50,000	£30,000

† Restricted to avoid a special annual allowance charge

The introduction of the carry forward provisions gives Helen the chance to maximise her contributions in 2011/12, when she has Relevant UK Earnings of £160,000 in 2011/12.

She is able to make a maximum tax relievable pension contribution, without resulting in an annual allowance tax charge, of £110,000 (ie £50,000 annual allowance in 2011/12 plus the carried forward annual allowance of £60,000).

Helen's benefits are still well within the lifetime allowance so this should not stop her contribution.

Tax-related issues

The higher potential contributions available as a result of the changes does not mean that contributions should be automatically maximised as soon as possible. There are a variety of tax-related issues to consider. For example:

- For those with £150,000+ incomes, it may make sense to spread the theoretical maximum contributions over a couple of years to maximise relief at 50%.
- Slightly lower down the income scale, a similar manipulation may be worthwhile to enable the personal allowance to be recovered – it is currently tapered away at £1 for every £2 of total income over £100,000.
- Looking forward to 2013, a large pension contribution could eliminate a higher rate tax liability and thus prevent the loss of Child Benefit.