

Press Release

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For immediate release

New Inheritance Tax liability on Alternatively Secured Pensions

Hyman Wolanski, Head of Pensions at Alliance Trust Savings, comments:

“We are very pleased to see that the government has decided not to impose any Inheritance Tax (IHT) liability where someone in income drawdown dies before age 75. However, we are very disappointed that the government has introduced a new 40% tax charge where someone in income drawdown dies after age 75. The proposed procedure is extremely complicated – so much for so-called ‘Simplification’.

The government’s justification for this harsh treatment stems from their grudging agreement to remove the requirement to buy an annuity at age 75, which was ‘specifically designed for those who have a principled religious objection to annuitisation’. The government clearly still has a problem with the fact that many people have non-religious grounds for not buying an annuity and has come up with an unnecessarily complicated mechanism for penalising the dependants of anyone in drawdown who is fortunate enough to survive beyond their 75th birthday. This leaves a bitter taste, particularly since the straightforward solution would be to treat those who are older than 75 in exactly the same way as those less than 75, i.e. to allow the balance of the fund to be paid out less a 35% tax charge.

It is a great shame that the ‘Pensions Simplification’ initiative, which has much to commend it, should fall at this particular hurdle. And it is especially disappointing that this announcement comes only two weeks before the new rule changes of A-Day, giving people and the industry as a whole little notice to adapt their existing plans to this new tax rule.”

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Notes to editors

1. Alliance Trust Savings (ATS) is a financial services company that offers ISAs, PEPs, SIPP and Investment Plans, including First Steps, a plan for investing for children. ATS and its subsidiaries administer around £3.3bn of assets on behalf of approximately 39,000 customers (as at 31 December 2005).
2. ATS owns Wolanski & Co. Trustees Limited (WACT), which operates bespoke SIPP and SSAS schemes. Wolanski and Co. Trustees Limited (WACT) provides high-quality administration services for over 4,000 SIPP and over 500 SSASs.
3. Together, ATS and WACT would rank in the top five SIPP providers by number of plans, according to a survey by Money Management in December 2005, which was based on information supplied by companies.
4. ATS is owned by two leading UK investment trusts, The Alliance Trust PLC and The Second Alliance Trust PLC, which between them own and manage more than £2.7bn of assets (as at 31 January 2006) that they invest worldwide. Alliance Trust and Second Alliance Trust are FTSE-250 companies.
5. Photographs of Hyman Wolanski are available.