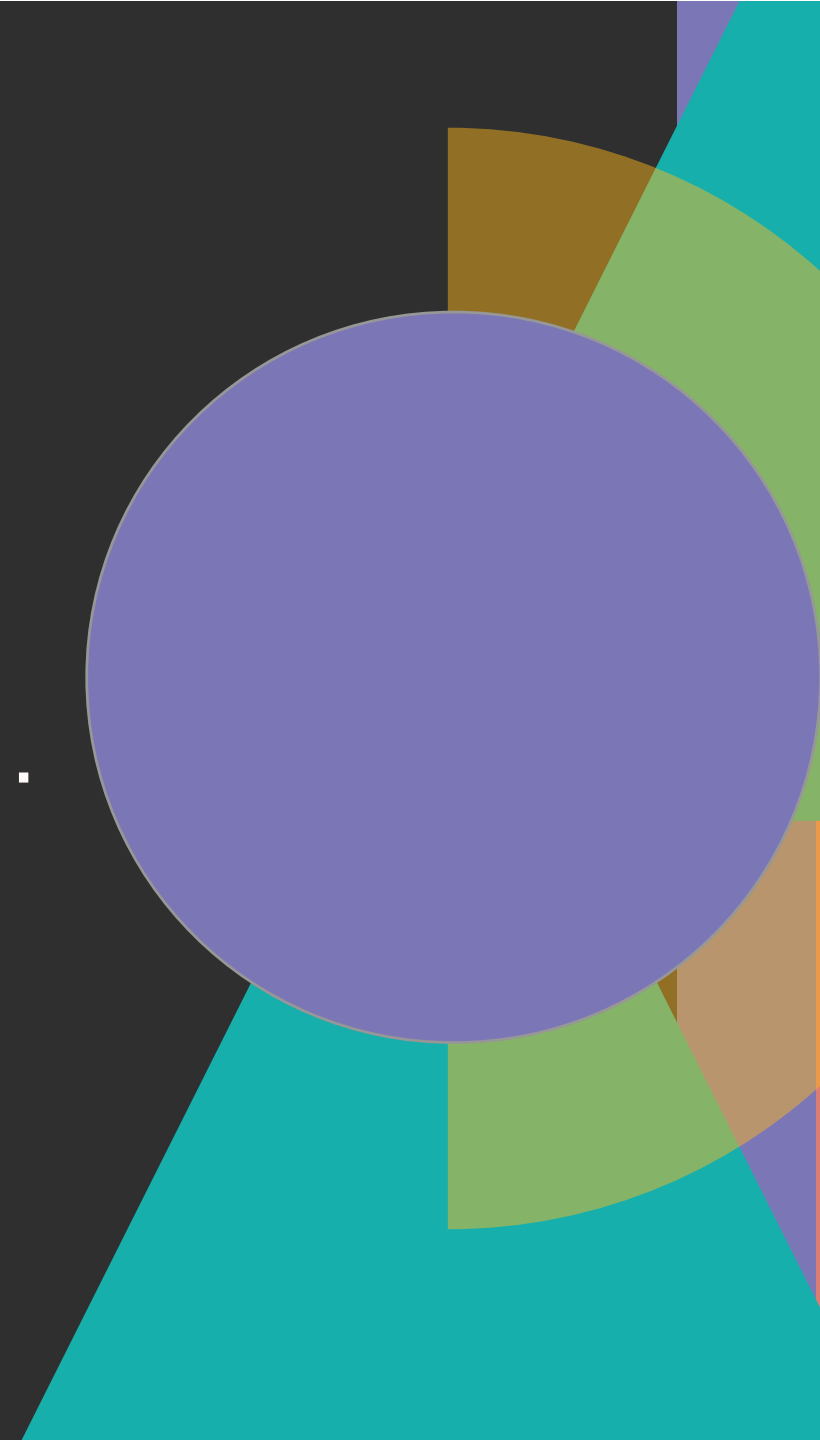


The BIG LTA abolition question...

... what needs done by April?



This content is based on our understanding of current taxation, legislation and HM Revenue & Customs practice all of which are liable to change without notice. The impact of any taxation (and any tax reliefs) depends on individual circumstances.

Where content includes case studies or examples these are for illustration purposes and are not recommending a specific course of action.

Past performance is not a reliable indicator of future performance. The value of an investment can go down as well as up and your client may get back less than they've paid in.

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Learning Objectives

By the end of this session, you will be able to:

Identify those clients who are impacted by the abolition of the LTA

Describe the actions that may need to be taken to improve the outcomes

7 things to think about

Fixed and enhanced protection – contributions

Scheme specific protected tax-free cash (SSPTFC)


Transfer to QROPS

Transitional Tax-Free Amount Certificates (TTFAC)

Lump sum death benefits will be paid to a discretionary trust

Pensions in payment on 5 April 2006

Enhanced protection and meet the lump sum condition (% on certificate)

The background features a white space with several decorative elements: a series of thin, parallel black lines on the left side, a large yellow arrow pointing upwards and to the right, and a series of overlapping colored triangles in shades of olive green, teal, and salmon on the right side.

Scheme specific protected tax-free cash

(SSPTFC)

SSPTFC case study

Bob has an old OPS which is currently worth £400,000. At A day it was worth £200,000 with TFC payable of £100,000

They have Fixed Protection 2012.

Maximum cash:

2023/24

$$\begin{aligned} &£100,000 \times £1.8\text{m} / £1.5\text{m} = £120,000 \\ &\text{Plus} \\ &[\text{£}400,000 - (\text{£}200,000 \times \text{£}1.8\text{m}/\text{£}1.5\text{m})] / 4 = \text{£}40,000 \\ &\text{PCLS} = \text{£}160,000 \end{aligned}$$

CSLA / FSLA

2024/25


$$\begin{aligned} &£100,000 \times 1.2 = £120,000 \\ &\text{Plus} \\ &[\text{£}400,000 - (\text{£}200,000 \times 0.7154)] / 4 = \text{£}64,230 \\ &\text{PCLS} = \text{£}184,230 \end{aligned}$$

£1.0731m / £1.5m

SSPTFC examples

<u>Protection</u>	LTA	2023/24	2024/25	Difference
None	£1,073,100	£184,230	£184,230	£0
Enhanced (no protected %)	£1,500,000	£170,000	£184,230	£14,230
Fixed 2012	£1,800,000	£160,000	£184,230	£24,230
Fixed 2014	£1,500,000	£170,000	£184,230	£14,230
Fixed 2016	£1,250,000	£178,333	£184,230	£5,897
Primary (no protected amount)	£1,500,000	£170,000	£184,230	£14,230

LTA > £1,073,100 = more PCLS from 6th April

The background features a series of thin, parallel diagonal lines on the left side, transitioning into a solid yellow diagonal band. Below the yellow band, there are overlapping geometric shapes in shades of olive green, teal, and coral, set against a dark grey background in the bottom right corner.

Fixed and Enhanced Protection Contributions

Contributions

Fixed and Enhanced
Protection

Annual Allowance

Auto Enrolment

Enhanced
Protection

LSDBA

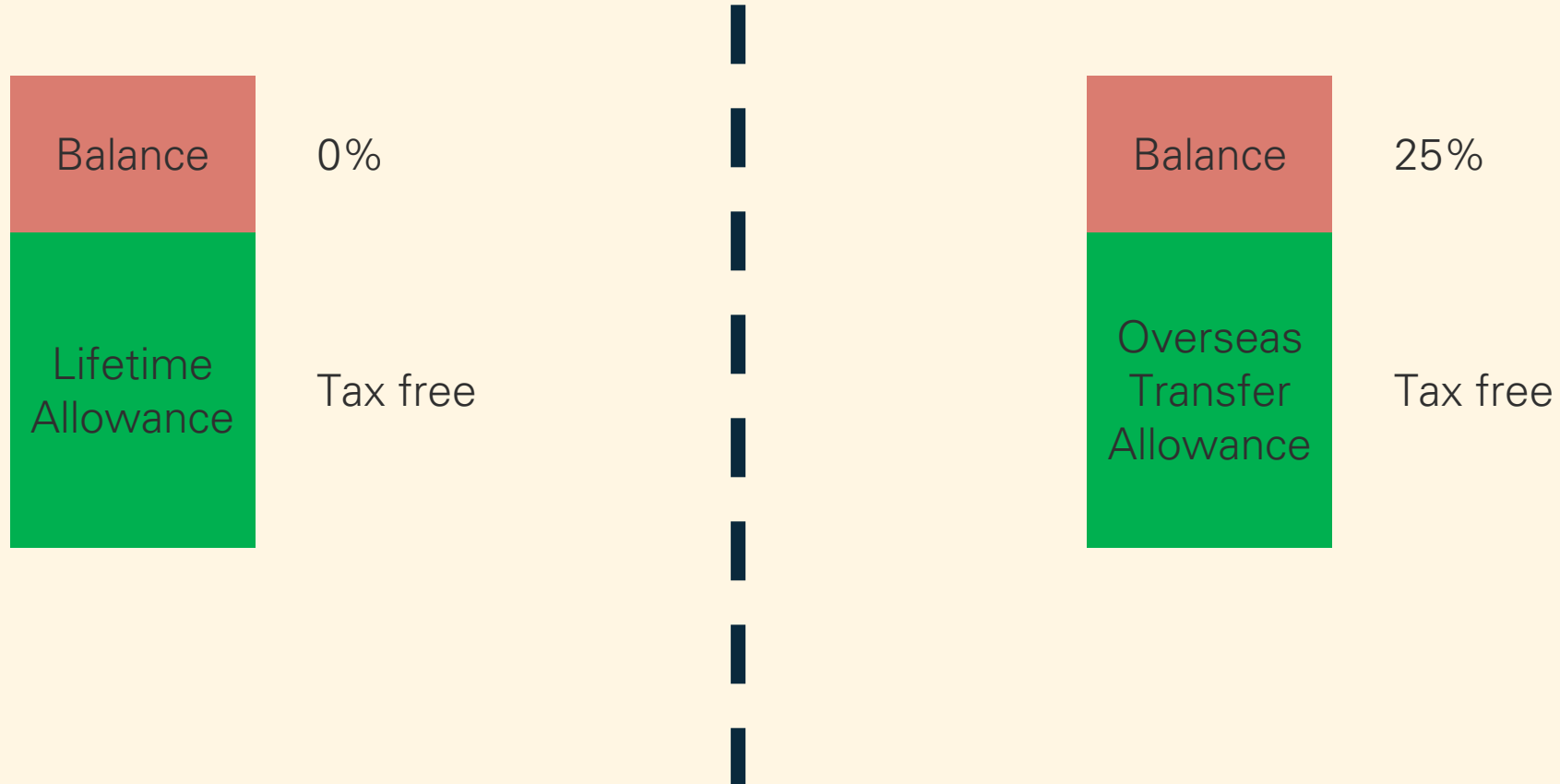
Value of uncrystallized rights
on 5th April 2024

The background features a series of thin, parallel diagonal lines on the left side, transitioning into a solid yellow diagonal band. Below the yellow band, there are overlapping geometric shapes in olive green, teal, and salmon, all set against a dark grey background in the bottom right corner.

Transfer to QROPS

Overseas Transfer Allowance

6th April 2024



The background features a series of parallel diagonal lines on the left side, transitioning into a solid yellow diagonal band on the right. Below the yellow band, there are overlapping geometric shapes in shades of olive green, teal, and salmon, set against a dark grey background.

Pensions in payment on 5 April 2006

Pre commencement Pensions

Prior Benefits (using £1m)	LSA	LSDBA
£40,000 pa scheme pension (pre A day). Tested after April 24	£268,275 - £250,000 £18,275	£1,073,100 - £250,000 £823,100
£40,000 pa scheme pension (pre A day). Tested between 06 and 24	£268,275 - £0 £268,275 (if certificate received)	£1,073,100 - £0 £1,073,100 (if certificate received)

Pre April BCE?

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Enhanced Protection (% on certificate)

Enhanced Protected PCLS

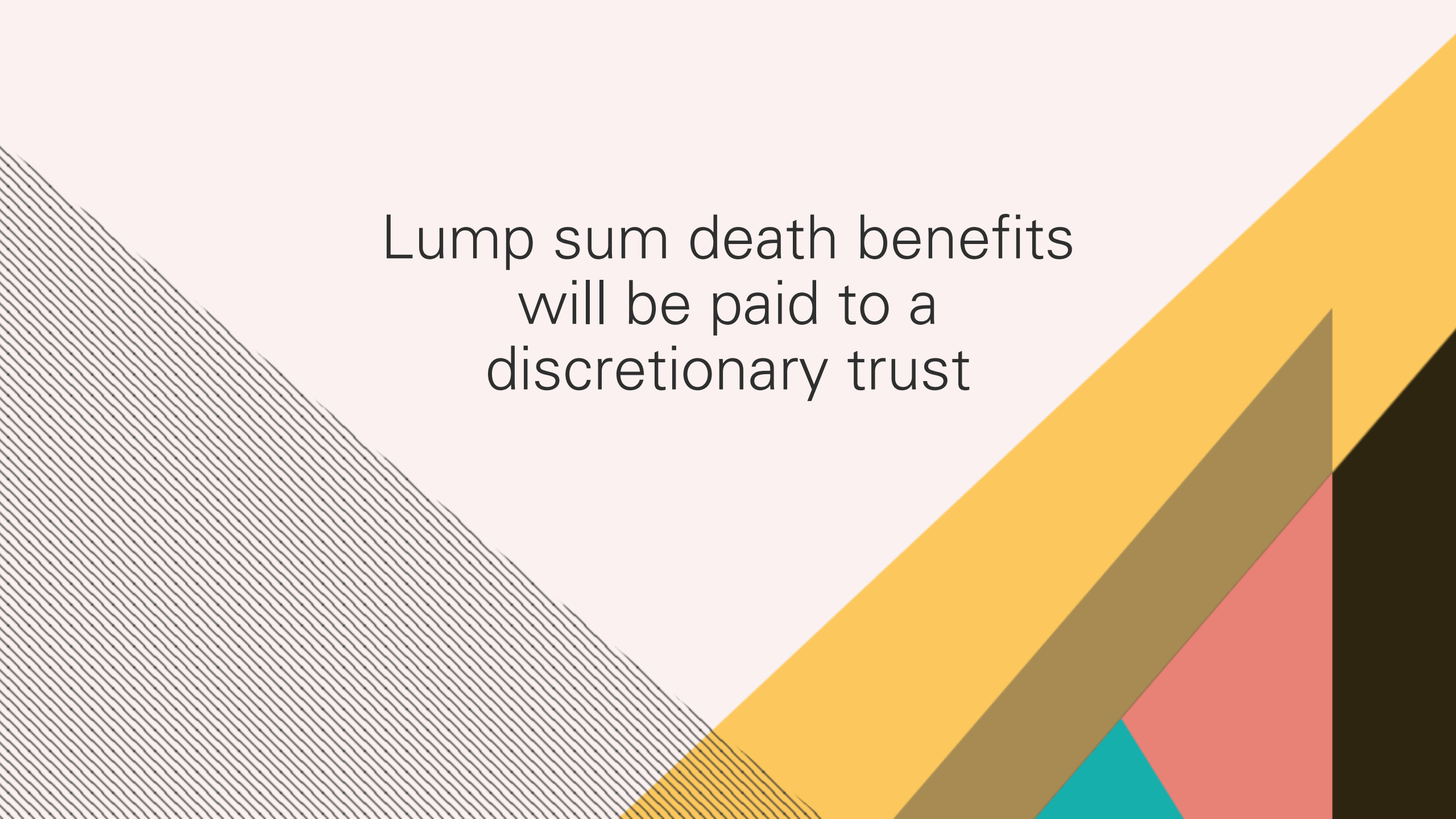
Bob has an uncrystallised SIPP worth £4,000,000 at 5 April 2024.

On 5 April 2023 it was worth £3,600,000.

He has Enhanced Protection with tax free cash of 10%.

Applicable Amount	LSA	LSDBA
$£4,000,000 \times 10\%$ £400,000	Amount of PCLS payable on 5 April 2023 £360,000	Amount of uncrystallised funds held at 5 April 2024 £4,000,000

Maximum cash in 23/24 is £4m x 10% = £400,000 (if taken in two separate tranches), otherwise £360,000.

The background features a series of thin, parallel diagonal lines on the left side, transitioning into a solid yellow diagonal band. Below the yellow band, there are overlapping geometric shapes in shades of olive green, teal, and salmon, set against a dark grey background in the bottom right corner.

Lump sum death benefits
will be paid to a
discretionary trust

Death Benefits



Lump Sums

TESTED



Beneficiary
Drawdown

NOT TESTED



Beneficiary
Annuity

NOT TESTED

The background features a white space with several geometric elements. On the left, a series of thin, parallel lines form a triangular shape pointing towards the center. On the right, there are several overlapping triangular shapes in solid colors: a large yellow one at the top, a brown one below it, a red one to the right, and a teal one at the bottom. A dark grey or black shape is also visible in the bottom right corner.

Transitional Tax-Free Amount Certificates (TTFAC)

LTA transition

Bob has an uncrystallised SIPP worth £600,000. They have no protection.

They have used 100% of their LTA taking benefits when the LTA was £1m

Maximum cash in 23/24 is Nil.

Prior Benefits	Applicable Amount	LSA	LSDBA	Maximum
£1m in drawdown with £250k tax-free cash.	$£600,000 \times 25\%$ £150,000			
£50,000 pa scheme pension with no tax-free cash.				

Transitional tax-free amount certificates

5 things you need to know

Individual
or PRs
apply

Scheme
of first
RBCE

Complete
Evidence

Before 1st
RBCE

Three
months

to prove that the scheme member is entitled to a lower reduction in their LSA and LSDBA than that provided for by the standard default calculation.

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Identify those clients who are impacted by the abolition of the LTA

Describe the actions that may need to be taken to improve the outcomes

QUESTION TIME



Support



Articles



Videos



Tools &
Calculators



Ask the Techs

Usual Contact
LinkedIn
My View

Thanks for your time

Get in touch with your usual contact if you need further help.





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