

Lifetime Allowance – the final, final chapter...?

The information that follows is based on our understanding of current taxation, legislation and HM Revenue & Customs practice all of which are liable to change without notice.

This is just for UK financial advice professionals.

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Learning Objective

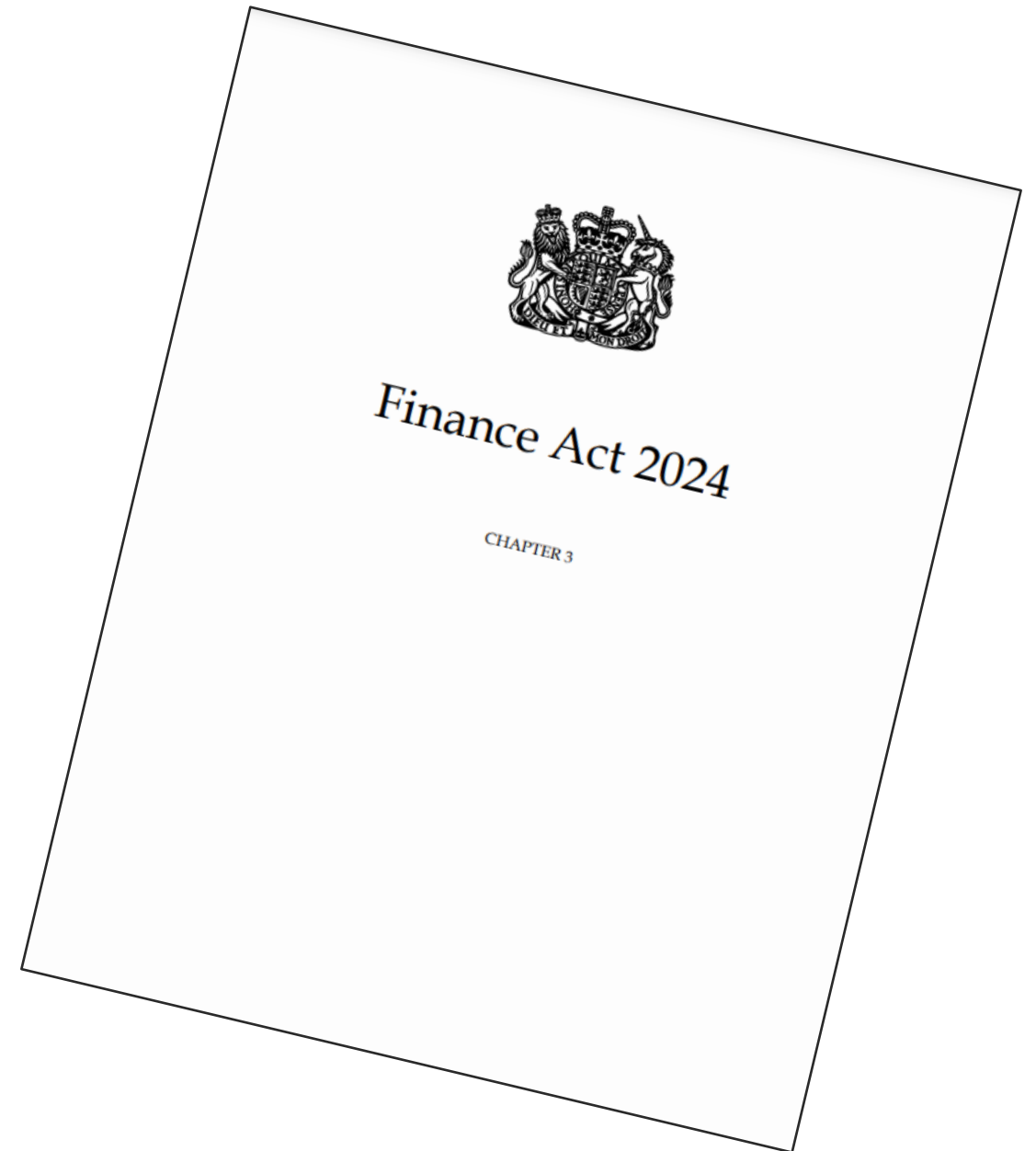
By the end of this session, you will be able to:

Evaluate the impact on your clients of the November 2024 pension lifetime allowance regulations.

Abolition of the Lifetime Allowance

kind of...

...with wide regulation making powers...



Title:

Year:

Number:

Type:

All UK Legislation (excluding originating from the EU) ▾

Search

[Advanced Search](#)

Search Results

Your title search for lifetime allowance in the English language of Secondary Legislation from 2024 has returned 3 results.

1

Legislation by Type

[← Any type](#)

UK Statutory Instruments (3)

Legislation by Year

[← Any year](#)

2024 (3)

Legislation by Subject Heading

1. Select First Letter of Heading

[Title ↑](#)[Years and Numbers](#)[Legislation type ↑](#)[The Pensions \(Abolition of Lifetime Allowance Charge etc\) \(No. 3\) Regulations 2024](#)

2024 No. 1167

UK Statutory Instruments

[The Pensions \(Abolition of Lifetime Allowance Charge etc\) \(No. 2\) Regulations 2024](#)

2024 No. 1012

UK Statutory Instruments

[The Pensions \(Abolition of Lifetime Allowance Charge etc\) Regulations 2024](#)

2024 No. 356

UK Statutory Instruments



HM Revenue & Customs

...further minor technical changes made through a second set of regulations.

Newsletter 158 — April 2024

Published 4 April 2024

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Abolition of the lifetime allowance (LTA) — communications and guidance

The regulations will be made shortly and, when introduced, will be effective from 6 April 2024.

From 6 April 2024, information to support the abolition of the lifetime allowance will continue to be included in regular pension schemes newsletters. Additional communications and guidance newsletters will also be published where required, but regular newsletters will be replaced by frequently asked questions (FAQs) will no longer be fortnightly. A consolidated copy of all FAQs published to date has been circulated to the LTA working group and will be published in a newsletter later this month.

If you have any outstanding queries on the legislation to abolish the LTA, including

And...

21st Nov

Pension Tax
Manual update

28th Nov

Pension
Schemes
Newsletter

The “issues”

TTFAC

Protected Tax
Free
Amounts

Overseas
Transfers

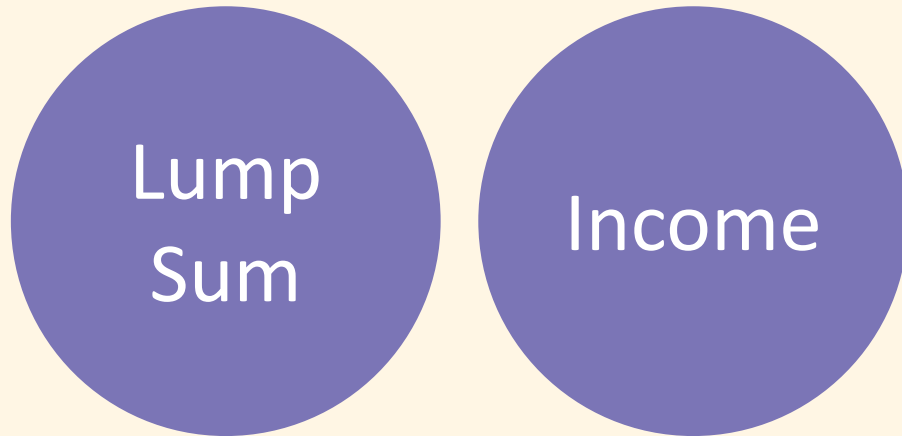
Lump Sum
Death
Benefit



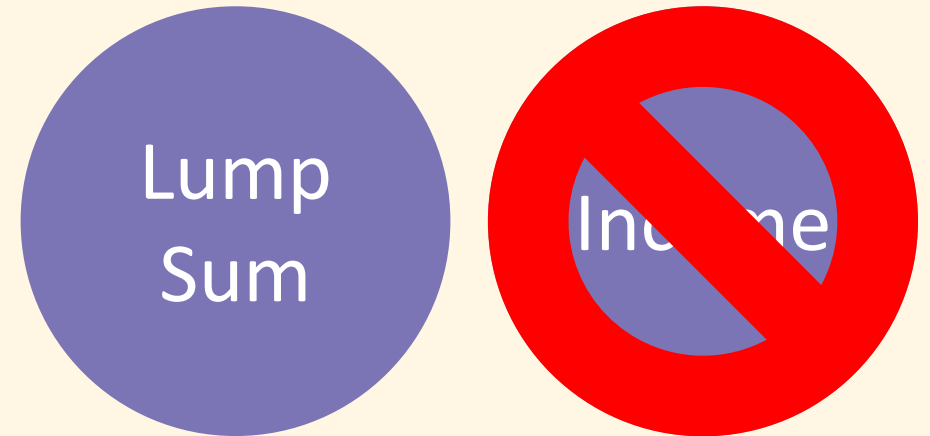
The new approach

The new approach

6 April 2024



Lifetime Allowance



Lump Sum Allowance

Lump Sum & Death Benefit Allowance

Overseas Transfer Allowance

Post April 2024 Limits

Number	Protection	Lump Sum Allowance (LSA)	Lump Sum and Death Benefit Allowance (LSDBA)*
1	None	£268,275	£1,073,100
2	Fixed 2012	£450,000	£1,800,000
3	Fixed 2014	£375,000	£1,500,000
4	Fixed 2016	£312,500	£1,250,000
5	Individual 2014	25% of relevant amount	£1.25m to £1.5m
6	Individual 2016	25% of relevant amount	£1m to £1.25m
7	Enhanced	£375,000	Amount of uncrystallised rights held at 5 April 2024
8	Primary	£375,000	£1,800,000 multiplied by the primary protection factor

* increased by any relevant LAEF, where applicable

Individuals Starting Allowances

LSA and LSDBA

LESS

DEFAULT
TRANSITIONAL
AMOUNT

OR

TRANSITIONAL
TAX FREE
AMOUNT

LTA Transitional Tax Free Amount Tool

Important information

This tool is designed to calculate the available Lump Sum Allowance and Lump Sum and Death Benefit Allowance as at 6th April 2024 for those who have crystallised benefits against the Lifetime Allowance between 6th April 2006 and 5th April 2024.

It compares the allowances available under the standard default transitional rules and if a Transitional Tax Free Amount Certificate was attained.

The tool does not deal with those who have Primary or Enhanced Protection or who are deceased.

The amount of tax free cash payable will be subject to individual client's circumstances and HMRC rules all of which may change.

Responsibility for the use of any information derived from this tool rests solely with the user.

RESET

A	LTA (must be £1,073,100 to £1,800,000)	£1,073,100	
		LTA used	Actual/Deemed tax free amounts paid
B	Deemed BCE on pre 2006 pension income	22.74%	£61,006
	LTA at Deemed BCE	£1,073,100	
C	Serious Ill Health Lump Sums	0.00%	E £0
D	Other BCEs	14.91%	F £40,000
		G 37.65%	H £101,006
I	LTA previously used amount (A x G)	£404,022.15	
		LSA	LSDBA
J	Standard Transitional deduction	£101,005.54	K £101,005.54
L	LSA (A x 25%)	£268,275.00	

Permitted Maximum as at 6th April 2024

Lump Sum Allowance Available

	Value to support LSA
Standard Default (L-J)	£167,269.46
With Transitional Tax Free Amount Certificate (L-C)	£167,269.27

Lump Sum and Death Benefit Allowance Available

Standard Default (£0 where G is 100% +, or A - K)	£972,094.46
With Transitional Tax Free Amount Certificate (A-H)	£972,094.27

Instructions for use

A - enter individuals personal LTA e.g. if no protection then £1,073,100, if FP12 then £1,800,000 etc

B - enter deemed BCE percentage and relevant LTA at time of BCE

C,D - enter percentage of **personal** LTA used for each category

E - enter actual **tax free** amount of SIHLS paid

F - enter actual **tax free** amounts paid through PCLS or UFPLS

Lump Sum Death Benefits

Lump sum death benefits
(LSDBs)

Payments from funds which
crystallised prior to 6 April 2024

Reporting requirements

Provision of information
between schemes

LSDBs

Jeff used 90% of his LTA placing his DC pension pot into drawdown in 2022.

He took £273,100 as tax free cash.

His LSDBA is £1,073,100 - £273,100 =
£800,000

He had uncrystallized funds remaining of
£100,000

Jeff died in the summer of 2024 when his
drawdown pot was worth £880,000.

Circumstances dictated that his pensions
would be paid as lump sums.

Jeff has total lump sum benefits of
£980,000

His LSDBA is
£800,000

There is a taxable amount of
£180,000

Jeffs drawdown benefits have been tested
against the LTA and the LSDBA!!!



Benefits that have been through LTA should not be tested again.

LTA tested benefits are:

- not retested against the LSDBA, and
- do not use up LSDBA.

Pre April 2024 status follows pots through generations.

Schemes will need to pass information on the pre April 2024 values if transferring.

Any death benefits on hold can proceed.

Transitional Arrangements

Applications for a TTFAC

Transitional tax-free amount certificates (TTFACs) and annual relevant benefit crystallisation event (RBCE) statements

PCLS and uncrystallised funds pension lump sum (UFPLS) after age 75

Cancellation of a transitional tax-free amount certificate

Transitional Arrangements

Applications for a TTFAC

Transitional tax-free amount certificates (TTFACs) and annual relevant benefit crystallisation event (RBCE) statements

“Certification Administrators”

Registered Pension Schemes
Annuity Providers

Applications to both allowed

“Notification requirements”

Inform all certificate administrators
when TTFAC issued / cancelled

90 days deadline

Transitional Arrangements

Cancellation of a transitional tax-free amount certificate

Bob had a TTFAC allowing him a PCLS of £100,000.

Without the TTFAC the maximum he could get was £50,000.

He was paid his PCLS and placed the balance in drawdown.

A scheme admin noticed Bob's TTFAC was wrong and cancelled it.

The £50,000 PCLS due to the TTFAC is now an Unauthorised Payment

Excess now authorised and taxed at marginal rate

Transitional Arrangements

PCLS and uncrystallised funds pension lump sum (UFPLS) after age 75

Pre 75

Bob

50% LTA used

Roy

50% LTA used

Both had unvested funds remaining.

Age 75

Bob

Further 50% LTA used.
Took PCLS of £50,000 before April 24

Roy

Further 50% LTA used
No post 75 PCLS

Default allowance usage

Bob & Roy

LTA used 100%

LSA = £0

LSDBA = £0

Transitional Arrangements

PCLS and uncrystallised funds pension lump sum (UFPLS) after age 75

Age 75

Bob

Further 50% LTA used.
Took PCLS of £50,000 before April 24

Roy

~~Further 50% LTA used~~
No post 75 PCLS

New Default allowance usage

Bob

LTA used 100%

LSA = £0

LSDBA = £0

Roy

LTA used 50%

LSA = £134,137.50

LSDBA = £938,962.50

Some amounts used at age 75 removed from default usage

LTA Protections

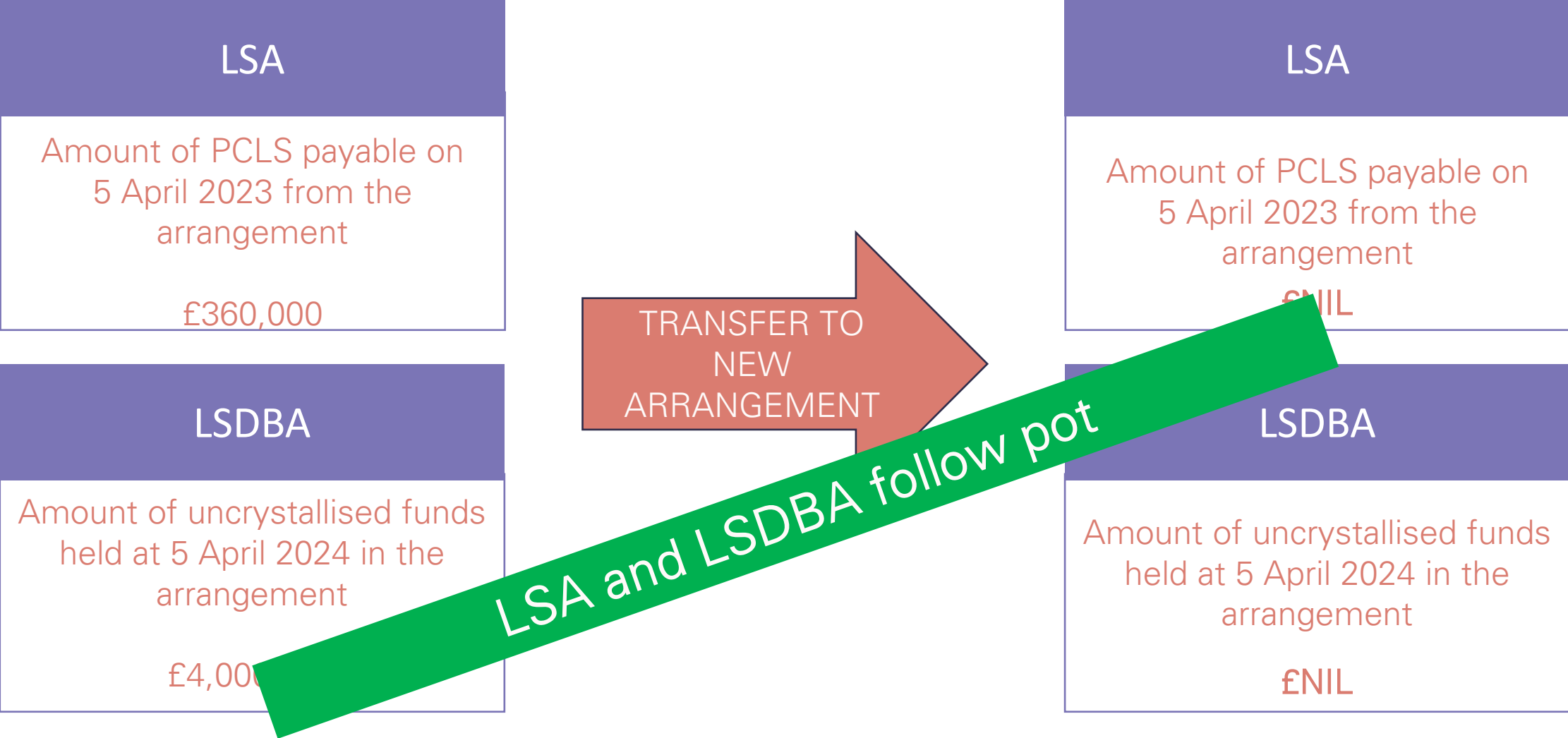
Enhanced protection (EP)

Transferring to a new provider

Enhanced protection (EP) and Primary protection (PP)

Protected lump sum rights of more than £375,000

Transferring to a new provider



Enhanced Protection "lost" on transfer.

Protected lump sum rights of more than £375,000

Enhanced

Sandi has Enhanced Protection

On 5th April 2023 she had a fund of £1,000,000

Her certificate has 50% TFC.

Her permitted maximum is £500,000

Primary

Joan has Primary Protection

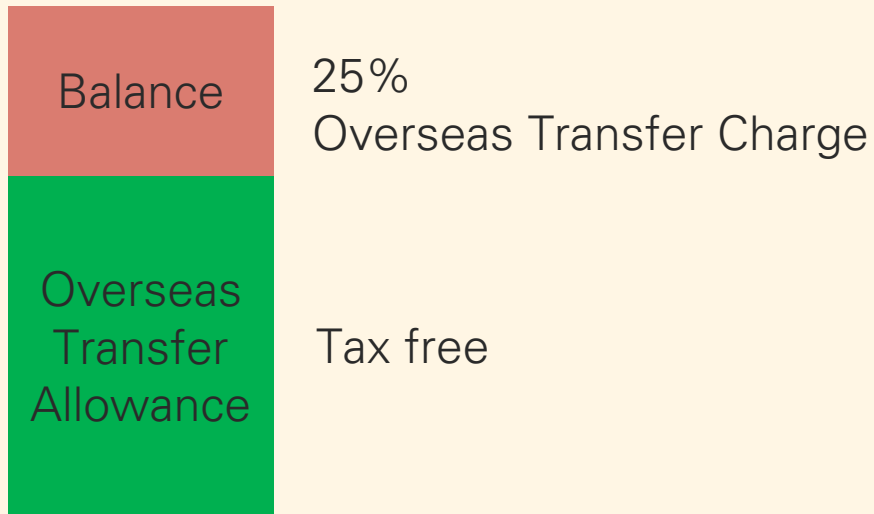
Her certificate has £500,000 TFC.



Cap
removed

Both their tax free cash was capped at £375,000

Overseas Transfer Allowance



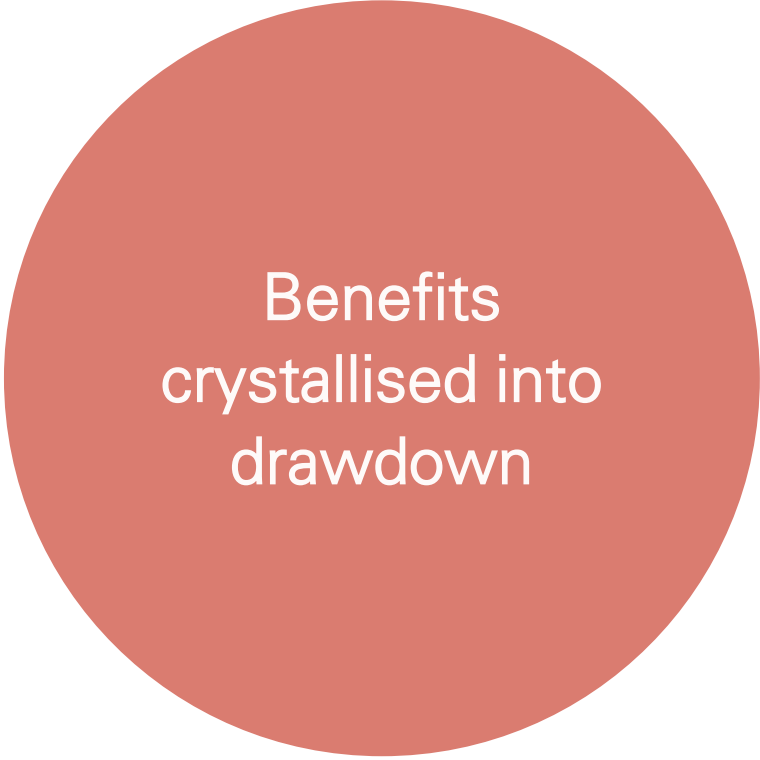
- Overseas Transfer Allowance
 - Starting LSDBA less Transitional Amount
- Overseas TV / overseas benefits DO NOT use UK LSA or LSDBA
- “Double bubble?”

Some numbers

Overseas Transfer Charge
PCLS
Balance
Tax (40%)
Net

Overseas		UK
£		£
1,073,100.00		1,073,100.00
0%		0%
£1,073,100		£1,073,100
£268,275		£268,275
£804,825		£804,825
£321,930		£321,930
£751,170		£751,170
		£1,502,340

Overseas Transfers



Benefits
crystallised into
drawdown



Pre A-day
benefits

Overseas Transfer Allowance

Benefits crystallised into drawdown

Bob had used 100% of his LTA entering drawdown with 25% PCLS.

He emigrated to Spain and wanted to transfer his pension into a Spanish pension.

His current drawdown value is £600,000

Bob's OTA is reduced by 100% to Nil.

The transfer would create a £150,000 OTC

The LTA used by the drawdown designation is excluded from OTA reduction

Overseas Transfer Allowance

Pre A-day benefits

Tom had all of his OTA available

He never took any LTA tested benefits. And has uncrystallised funds left to take.

He did have a scheme pension he started before 6th April 2006 currently paying him £60,000 per annum.

Bob's OTA is now reduced by $£60,000 \times 25 = £1,500,000$

Any overseas transfer will now be subject to an Overseas Transfer Charge.

Pre commencement pensions added to OTA transitional amount

Overseas Transfers

5.32 Reducing tax-free overseas transfers of tax relieved UK pensions – The government will remove the exclusion from the Overseas Transfer Charge for transfers to Qualifying Recognised Overseas Pension Schemes in the European Economic Area (EEA) or Gibraltar from 30 October 2024 to address the risk of individuals receiving double tax-free allowances.

Policy paper

Reducing tax-free overseas transfers of tax relieved UK pensions

Published 30 October 2024

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Who is likely to be affected

Individuals who want to transfer part or all of their pension to a Qualifying Recognised Overseas Pension Schemes (QROPS) established in the European Economic Area (EEA) or Gibraltar.

Overseas Pension Schemes (OPS) and Recognised Overseas Pension Schemes (ROPS) established in the EEA.

Scheme administrators of a registered pension scheme who are not resident in the UK.

General description of the measure

The Overseas Transfer Charge (OTC) is a 25% tax charge on transfers to QROPS, unless an exclusion from the charge applies.

At Autumn Budget 2024, the Government announced that they would remove the exclusion from the OTC of transfers to QROPS established in the EEA and Gibraltar.

The exclusion will no longer apply to transfers to QROPS established in the EEA and Gibraltar made on or after 30 October 2024.

Exemptions to the QROPS

Unless in execution of a request made before 30 October 2024, and transferred before 30 April 2025.

- the member is resident in the same country as that in which the QROPS receiving the transfer is established

- ~~• the QROPS receiving the transfer is established in Gibraltar or a country within the EEA and the member is UK resident or resident in a country within the EEA~~

- the QROPS is set up by an international organisation for the purpose of providing benefits for, or in respect of, past service as an employee of the organisation and the member is an employee of that international organisation
- the QROPS is an overseas public service pension scheme and the member is an employee of an employer that participates in the scheme
- the QROPS is an occupational pension scheme and the member is an employee of a sponsoring employer under the scheme

Some more numbers

	Pre 30 th October		Now		Now
	Overseas	UK	Overseas	UK	UK
	£	£	£	£	£
	1,073,100.00	1,073,100.00	1,073,100.00	1,073,100.00	2,146,200.00
Overseas Transfer Charge	0%	0%	25%	0%	0%
	£1,073,100	£1,073,100	£804,825	£1,073,100	£2,146,200
PCLS	£268,275	£268,275	£201,206	£268,275	£268,275
Balance	£804,825	£804,825	£603,619	£804,825	£1,877,925
Tax (40%)	£321,930	£321,930	£241,448	£321,930	£751,170
	£751,170	£751,170	£563,378	£751,170	
Net	£1,502,340		£1,314,548		£1,395,030

Overseas Transfers are now only for those moving overseas

Scheme Specific Tax Free Cash

Calculating a
member's entitlement

Reduction to an
individual's lump sum
allowance

Transferring
providers

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[HM Revenue
& Customs](#)

.....we can confirm that the policy intent is for a member's additional lump sum amount to be the same as under the LTA

Guidance

Newsletter 159 — April 2024

Published 25 April 2024

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Lifetime allowance (LTA) Abolition

Formulae

Old Rule

$$(VULSR \times ULA/FSLA) + ALSA$$

ALSA is the amount found by the formula:
 $[LS + AC - (VUR \times CSLA/FSLA)]/4$

New "broken" rule

The A day cash amount times 1.2
Plus
 $(\text{Current Fund Value} - \text{A day fund value} \times 0.7154) / 4$

DPCs not fully excluded
"Income value" incorrect

Different to pre abolition

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:

Old Rules

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

CSLA / FSLA

New "broken" rule

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

£1.0731m / £1.5m

Everyone treated as if LTA = £1,073,100

SSPTFC fixing “CSLA/FSLA”

Protection	CSLA	LSDBA
None	£1,073,100	£1,073,100
Enhanced (no protected %)	£1,073,100	5 th April 2024 value
Fixed 2012	£1,800,000	£1,800,000
Fixed 2014	£1,500,000	£1,500,000
Fixed 2016	£1,250,000	£1,250,000
Primary (no protected amount)	£1,073,100	£1,800,000
Individual Protection	Relevant Amount	Relevant Amount
Enhancement factors e.g. non residence	£1,073,100	Enhanced value

And there's more....

SSPTFC rule change

...must have at least some ~~LSA~~ and LSDBA available....

Amount over LSDBA Taxable

CASE STUDY

Bob has available:

Lump Sum Allowance of £100,000.

Lump Sum and Death Benefit Allowance of £904,825

He has ...

Scheme 1 – old EPP

Fund value £200,000

Scheme Specific PTFC of £150,000

Scheme 2 - SIPP

Uncrystallised £360,000 (£90,000 PCLS), Crystallised £200,000

What order to maximise tax free?



Case Study

LSA £100,000.
LSDBA £904,825

Scheme 1 – old EPP
Fund value £200,000
Protected Lump Sum of £150,000

Scheme 2 - SIPP
Uncrystallised £360,000,
Crystallised £200,000

Scheme 1

LSA available -£100,000
LSA required - £0
LSDBA required - £150,000
PCLS paid - **£150,000**
LSA used - £50,000 ($£200,000 \times 25\%$)
LSA remaining - £50,000
LSDBA remaining - £754,825

Scheme 2

LSA available - £50,000
LSA / LSDBA required - £90,000
PCLS paid - **£50,000**
LSA used - £50,000
LSA remaining - £0
LSDBA remaining - £704,825

Tax-free total **£200,000**

Scheme 2

LSA available - £100,000
LSA / LSDBA required - £90,000
PCLS paid - £90,000 ($£360,000 \times 25\%$)
LSA used - £90,000
LSA remaining - £10,000
LSDBA remaining - £814,825

Scheme 1

LSA available - £10,000
LSA required - £0
LSDBA required £150,000
PCLS paid - £150,000
LSA used - £50,000 ($£200,000 \times 25\%$)
LSA remaining - £0
LSDBA remaining - £664,825

Tax-free total **£240,000** 

Standard > Scheme Specific / Standalone

Learning Objective

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

Evaluate the impact on your clients of the November 2024 pension lifetime allowance regulations.

QUESTION TIME



Thanks for your time

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





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