

# Quite simply...

...the new allowances

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 Objectives

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

Describe how to establish the starting Lump Sum and Lump Sum and Death Benefit Allowances for your clients

Explain how the new allowances are used up

Identify the key financial planning considerations for your clients



# The new regime





SPRING BUDGET 2023

FINANCE (NO2) ACT 2023

MULTIPLE NEWSLETTERS

TWO POLICY STATEMENTS

MULTIPLE INDUSTRY MEETINGS

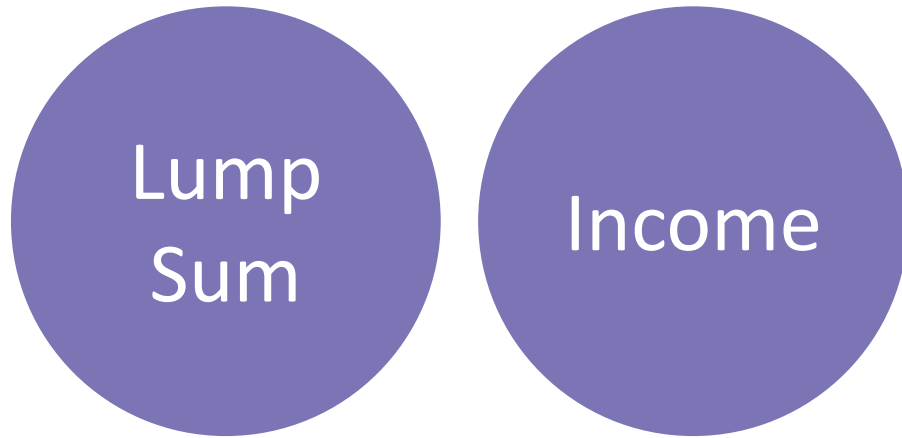
FINANCE ACT 2024

(WITH WIDE REGULATION MAKING POWERS.....)

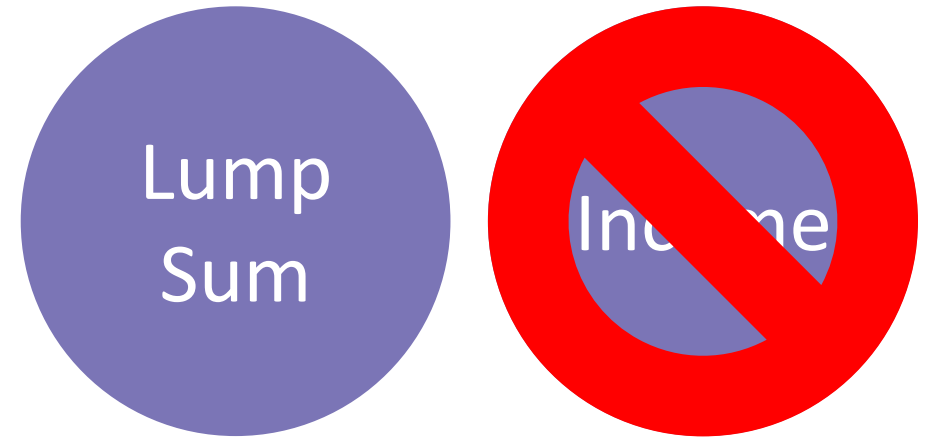
The Pensions (Abolition of Lifetime Allowance Charge etc) Regulations 2024

# The new approach

6 April 2024



Lifetime Allowance



Lump Sum Allowance


Lump Sum & Death Benefit Allowance

Overseas Transfer Allowance

# Protections / Enhancements



Still Exist  
Post April 24

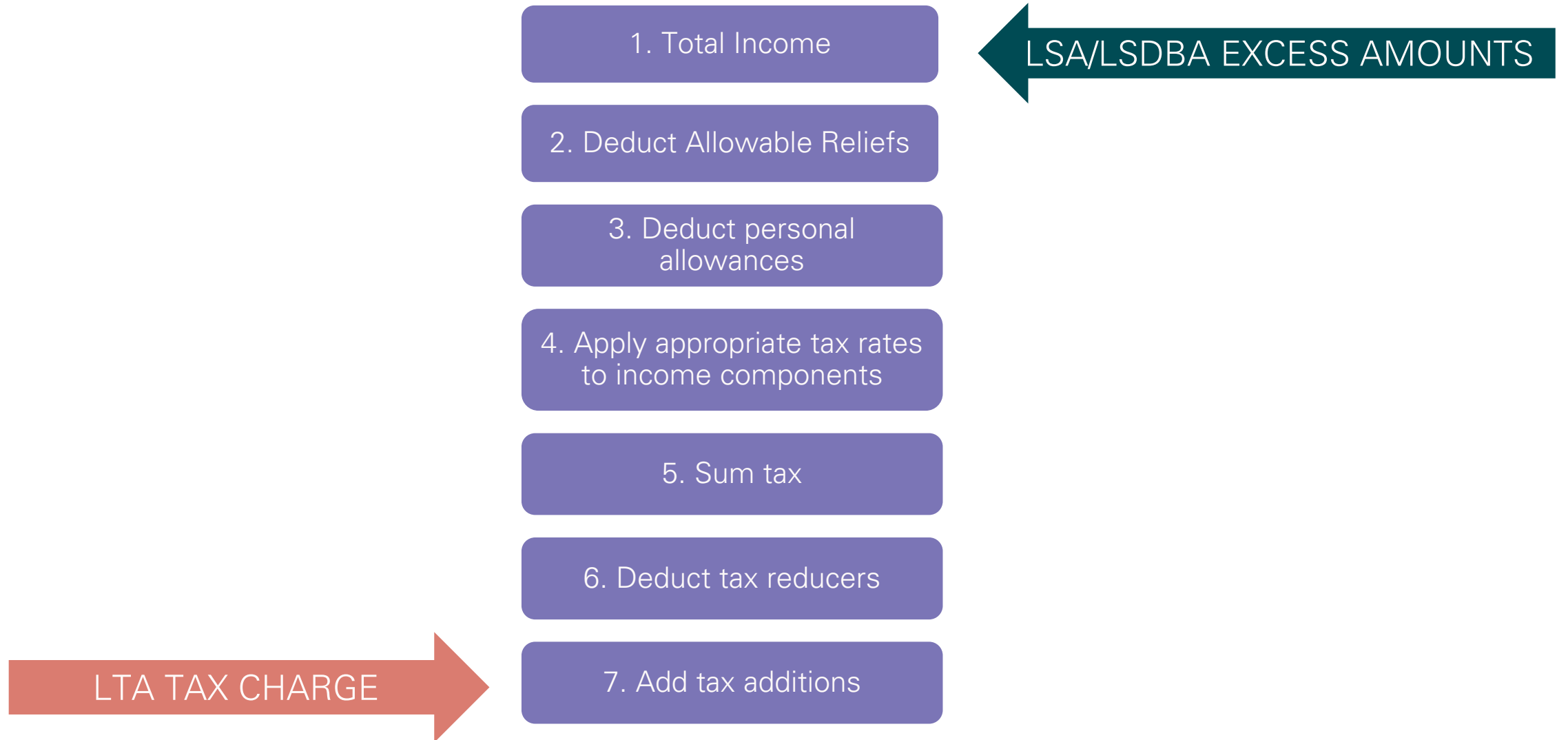


Pre 15/3/23  
Enhanced and  
Fixed  
Protection  
cannot be lost



New  
Deadlines  
April 2025

# Allowance Excesses







# LSA & LSDBA

# 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	Dependent on circumstances	Amount of uncrystallised rights held at 5 April 2024
8	Primary	Dependent on circumstances	£1,800,000 multiplied by the primary protection factor

\* increased by any relevant LAEF, where applicable

# Individuals Starting Allowances

LSA and LSDBA

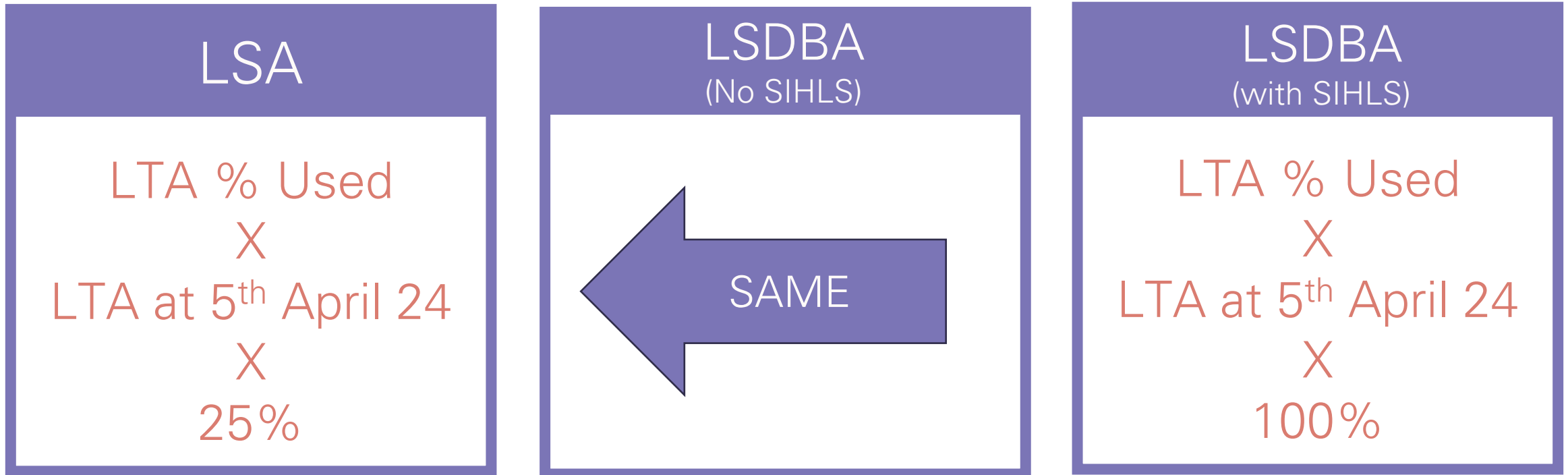
LESS

DEFAULT  
TRANSITIONAL  
AMOUNT

OR

TRANSITIONAL  
TAX FREE  
AMOUNT

# Default Transitional Amount



IF 100% LTA USED THEN ALLOWANCES ARE ZERO

# Transitional Tax-free Amount

## LSA

PCLS amount paid  
+  
Standalone Lump Sum (tax free)  
+  
UFPLS (Non-Taxable)  
+  
25% x LTA used by Pre 2006  
Pension

## LSDBA

LSA used  
+  
Serious Ill Health Lump Sum  
+  
Lump Sum Death Benefit paid  
(that were LTA tested)

# LTA transition examples

	Example 1
Prior Benefits	£50,000 pa scheme pension no tax-free cash LTA was £1.5million (66.66% LTA)
Default	$66.66\% \times 25\% \times £1,073,100 = £178,832$ LSA - £89,443
Transitional	£268,275 - £0 LSA - £268,275

“LSA/LSDBA **higher** with certificate”

	Example 2
Prior Benefits	£750,000 annuity purchase £250,000 tax-free cash LTA was £1.8million (55.55% LTA)
Default	$55.55\% \times 25\% \times £1,073,100 = £149,026$ LSA - £119,249
Transitional	£268,275 - £250,000 LSA - £18,275

“LSA/LSDBA **lower** with certificate”



# LTA transition examples

	Example 3
Prior Benefits	£750,000 drawdown £250k tax-free cash LTA was £1million. (100% LTA)
Default	$100\% \times 25\% \times £1,073,100 = £268,275$ <b>LSA - £0</b>
Transitional	$£268,275 - £250,000$ <b>LSA - £18,275</b>

“LSA/LSDBA **higher** with certificate”

	Example 4
Prior Benefits	£804,825 drawdown £268,275 tax-free cash LTA was £1.0731m (100% LTA)
Default	$100\% \times 25\% \times £1,073,100$ <b>£268,275</b>
Transitional	$£268,275 - £268,275$ <b>LSA - £0</b>

“LSA **the same** with certificate”

“LSDBA **higher** with certificate”

# 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, have had a deemed crystallisation of a pre 2006 pension prior to 6th April 2024 or have received a Serious Ill Health Lump Sum.**

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.

A	LTA (must be £1,073,100 to £1,800,000)	£1,073,100	Permitted Maximum as at 6th April 2024		
B	LTA used	75.00%			
C	Actual tax free amounts paid pre 6th April 2024	£168,275.00			
D	LTA previously used amount (A x B)	£804,825.00			
E	Standard Transitional deduction (D x 25%)	£201,206.25			
F	LSA (A x 25%)	£268,275.00			

### Lump Sum Allowance

Standard Default (F-E)	£67,068.75	Value to support LSA	£268,275.00
With Transitional Tax Free Amount Certificate (F - C)	£100,000.00		£400,000.00

### Lump Sum and Death Benefit Allowance

Standard Default (£0 where B is 100% +, or A - E)	£871,893.75
With Transitional Tax Free Amount Certificate (A- C)	£904,825.00

### 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 percentage of personal LTA used (if over 100% put 100%)
- C - enter actual **tax free** amounts paid through PCLS or UFPLS.

See red tags for further information.

RESET

# Transitional tax-free amount certificates

## 9 things you need to know

Individual  
or PRs  
apply

Request  
from any  
Scheme

Issued  
before 1<sup>st</sup>  
RBCE

Complete  
Evidence

Must  
have LTA  
usage

Three  
months

Member  
notifies all  
schemes

Not if  
Enhanced  
Protected  
Lump Sum  
Rights

Schemes  
can cancel

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.

# Ongoing allowance availability

Individuals starting LSA / LSDBA

LESS

Tax-Free Amounts paid\*



# CASE STUDY

Jeff applied for a transitional tax free amount certificate.

His starting limits are:

LSA of £100,000  
LSDBA £904,825

He wants to withdraw a further £25,000 tax free from his pension by placing £100,000 into drawdown.

**Bob has sufficient LSA and LSDBA  
to pay the £25,000.**

His new limits are:

LSA of £100,000 - £25,000 = £75,000  
LSDBA £904,825 - £25,000 = £879,825

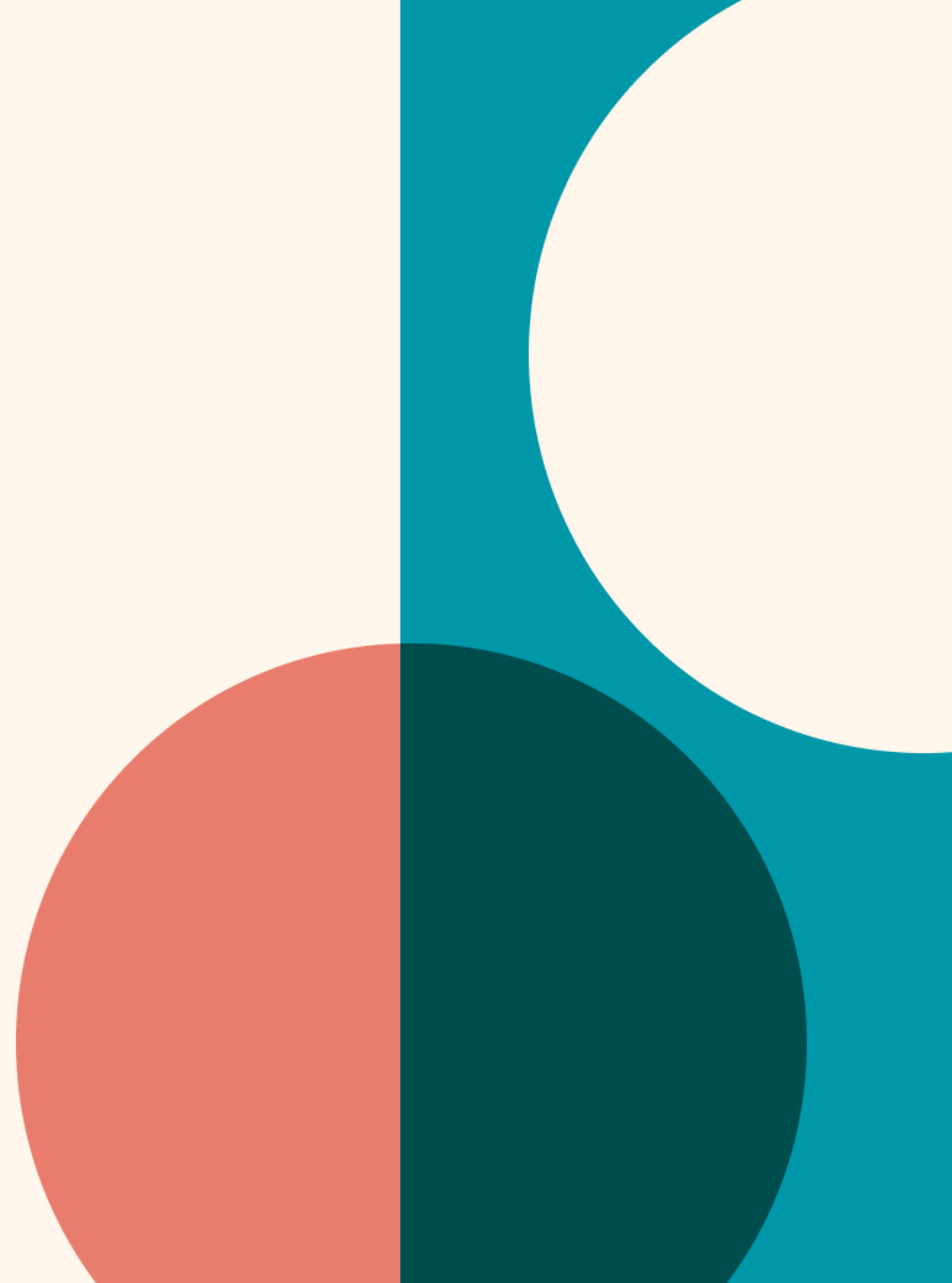
# Allowance usage (non standard)

	LSA	LSDBA
Scheme Specific Protected Tax Free Cash		
All	25% (of TOTAL "crystallised")	100% (of tax-free amount)
Standalone Lump Sum		
Primary or Enhanced Protection	100% (of tax-free amount)	
No PP/EP	25% (of TOTAL "crystallised")	100% (of tax-free amount)
Other		
Pre Commencement Pension	LTA used / 4 or 25 x ARP x 25%	
Serious Ill Health Lump Sum	N/A	100% (of tax-free amount)



# MEMBER BENEFITS

PCLS  
UFPLS  
PCELS  
Income  
NMPA



# Small Lump Sums

	Allowance Required	Allowance Used
Winding Up Lump Sum	YES	NO
Trivial Commutation Lump Sum	YES	NO
“Small Pots”	NO	NO

# PCLS from 6 April 2024

Lower of

Applicable  
Amount

Available  
Lump Sum  
Allowance

Available  
Lump Sum &  
Death  
Benefit  
Allowance

Not 25%!  
available  
LSDBA

# Tax Free Sums – payment rules

	LSA	LSDBA
Standard	Required	Required
Scheme Specific PTFC	£1 required	Not Required
Standalone Lump Sum	Not Required	Required

# Post April 2024 PCLS Limits

Number	Protection	Applicable Amount	Lump Sum Allowance (LSA)	Lump Sum and Death Benefit Allowance (LSDBA)
1	None	25% of amount crystallising	£268,275	£1,073,100
2	Fixed 2012	25% of amount crystallising	£450,000	£1,800,000
3	Fixed 2014	25% of amount crystallising	£375,000	£1,500,000
4	Fixed 2016	25% of amount crystallising	£312,500	£1,250,000
5	Individual 2014	25% of amount crystallising	25% of relevant amount	£1.25m to £1.5m
6	Individual 2016	25% of amount crystallising	25% of relevant amount	£1m to £1.25m
7	Enhanced (protected cash)	Certificate % x amount crystallising	Amount of PCLS payable on 5 April 2023	Amount of uncrystallised funds held at 5 April 2024
8	Enhanced (no protected cash)	25% of amount crystallising	Amount of PCLS payable on 5 April 2023 (maximum £375,000)	The amount of uncrystallised rights held at 5 April 24
9	Primary (no protected cash)	25% of amount crystallising	£375,000	£1,800,000 multiplied by the primary protection factor
10	Primary (protected cash)	<p>The amount of TFC on the certificate multiplied by 1.2</p> <p>Less</p> <p>In the case of PCLS where entitlement arose before 6 April 2012 the amount paid revalued by 1.8 / the standard lifetime allowance when paid.</p> <p>Less</p> <p>In the case of PCLS where entitlement rose after 5 April 2012, the amount paid.</p>		
11	Scheme Specific	<p>Must have £1 of LSA remaining</p> <p>A-day cash amount times 1.2</p> <p>Plus</p> <p>(Current Fund Value - A day fund value x 0.7154) / 4</p>		

# 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:

$$\begin{aligned} & \text{"A-day Cash"} \times 1.2 \\ & \text{Plus} \\ & [\text{"Fund Value"} - (\text{"A-day fund value"}) \times 0.7154] / 4 \\ & = \\ & \text{PTFC} \end{aligned}$$

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

£1.0731m / £1.5m





# 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 - £1  
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 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 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 - £1  
PCLS paid - £150,000  
LSA used - £50,000 ( $£200,000 \times 25\%$ )  
LSA remaining - £0  
LSDBA remaining - £664,825

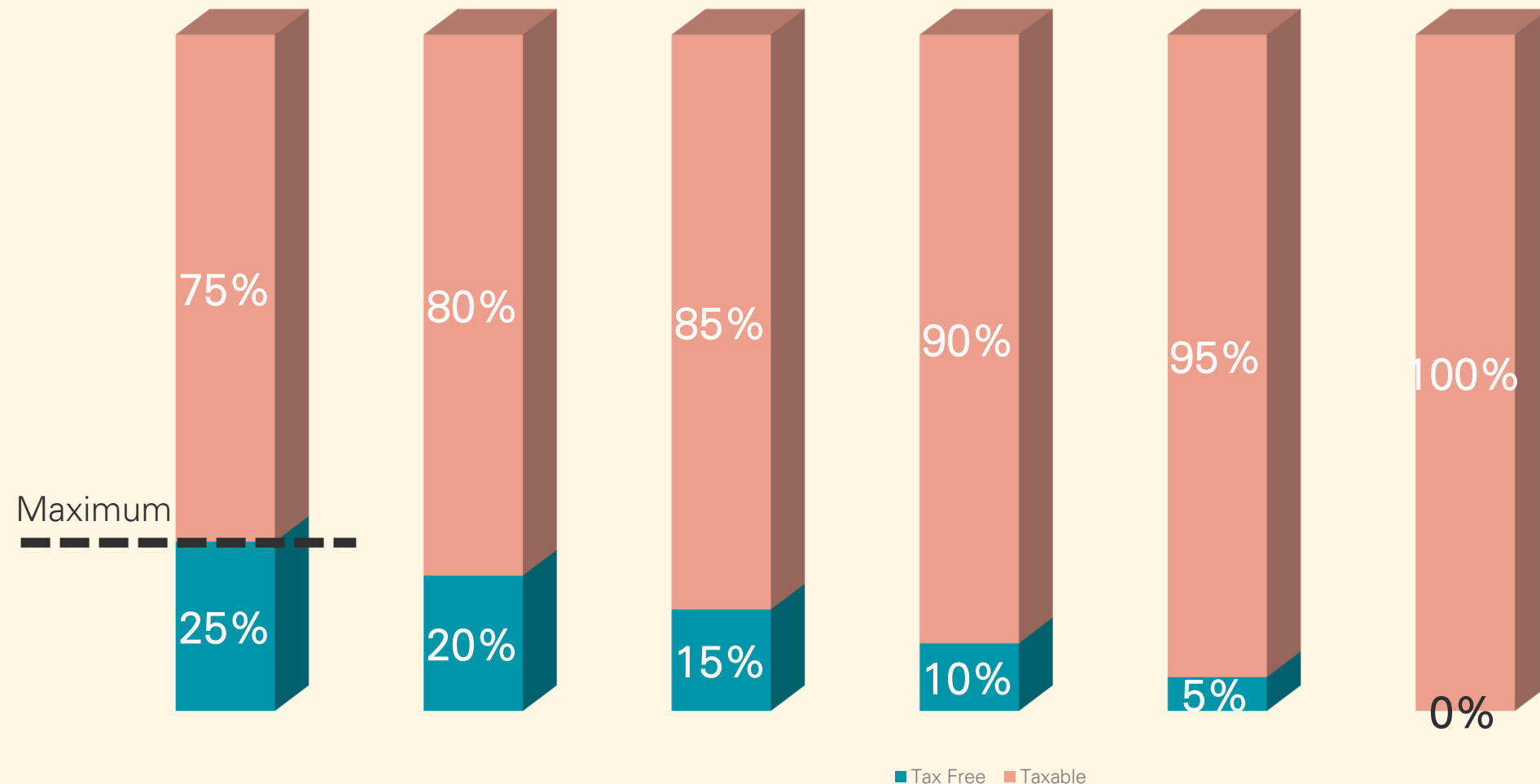
Tax-free total £240,000



Standard leaving £1 > Scheme Specific > Standalone

# UFPLS from 2024/25

Tax free amounts driven by the LSA and LSDBA

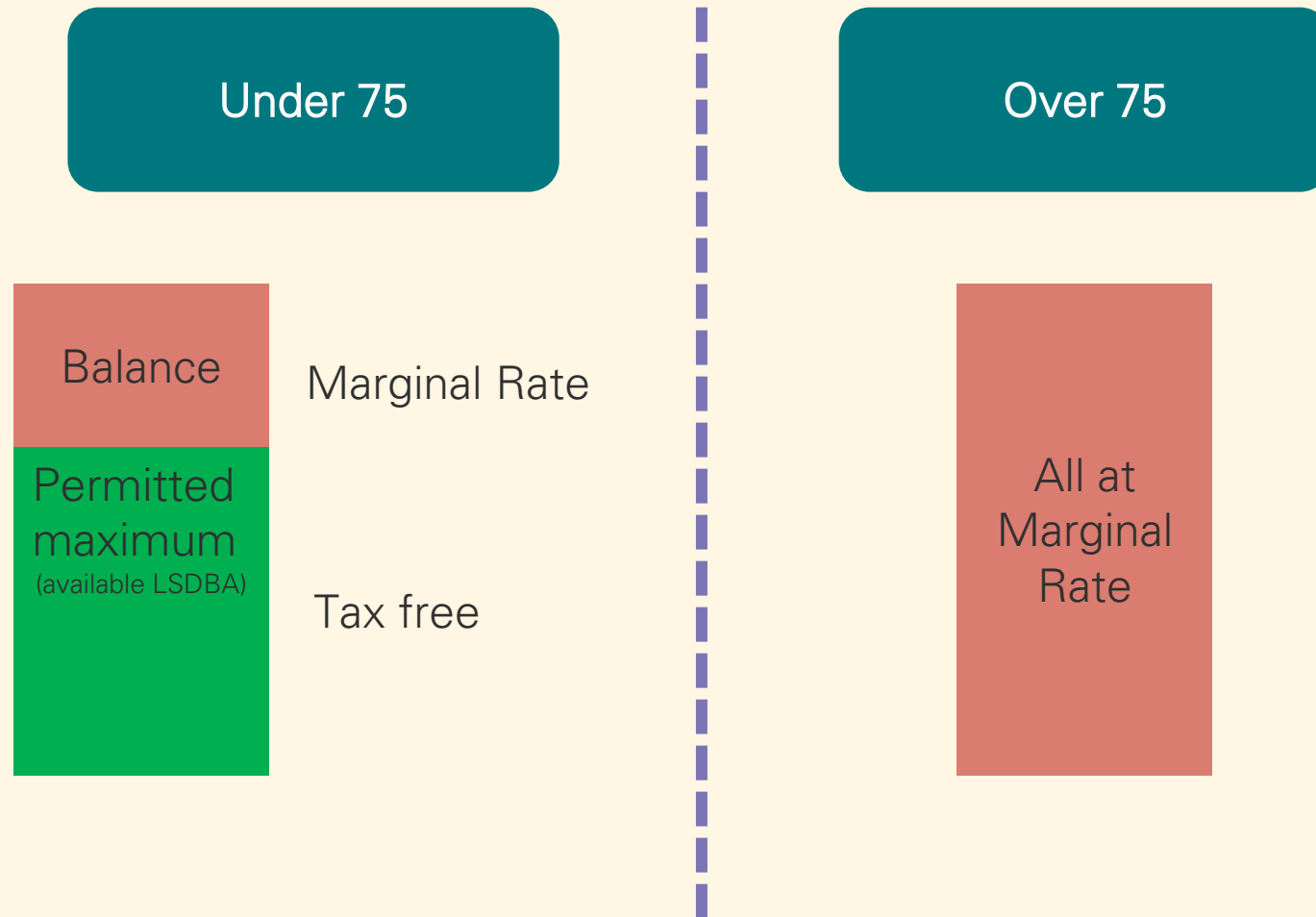


Can't take from;

- Disqualifying Pension Credit
- Primary Protection with TFC Protection
- Enhanced Protection with TFC Protection

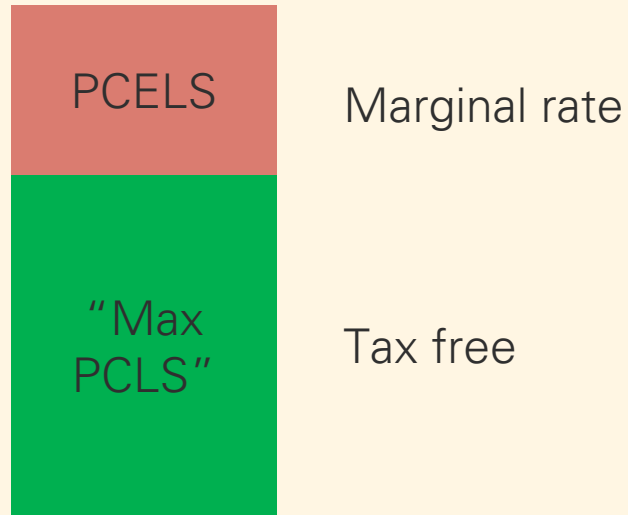
25% MUST be tax free if you have a Lifetime Allowance Enhance Factor

# Serious Ill Health Lump Sums



Those with Enhanced Protection get LSA set to £0 if a SIHLS is taken.

# Pension Commencement Excess Lump Sum (PCELS)



1. **NEW** authorised lump sum
2. Must be linked to an arising entitlement to pension
3. Cannot reduce linked pension
4. NOT an RBCE
5. Cannot be paid if another type of lump sum could **legally** be paid.
6. For DB schemes mainly who need to pay “PCLS” above limit.

# Scheme Pension/Drawdown/Annuity

6 April 2024

LTA tested

Unlimited

Impacts LSA  
and LSDBA

Does NOT use  
allowances



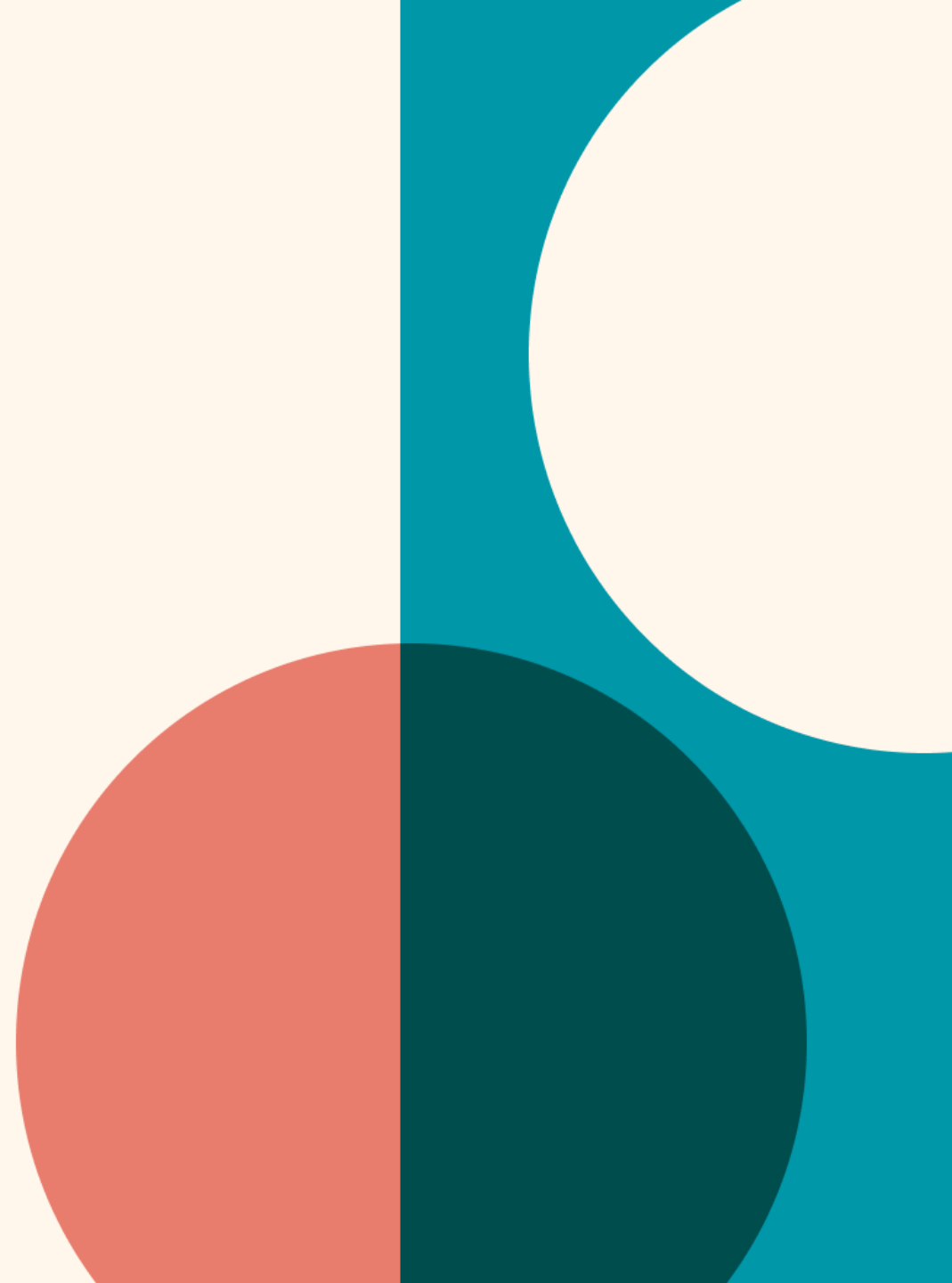
# DEATH BENEFITS

Key Points from old to new

What is tested

Taxation

Administration



# Key concepts



AGE 75

2 YEAR  
WINDOW

# Death Benefits



ALL  
Lump Sums  
(some exemptions)

TESTED


Beneficiary  
Drawdown

NOT TESTED

Beneficiary  
Annuity

NOT TESTED

# Income Death Benefits



Pre 75  
<2yrs

Tax Free

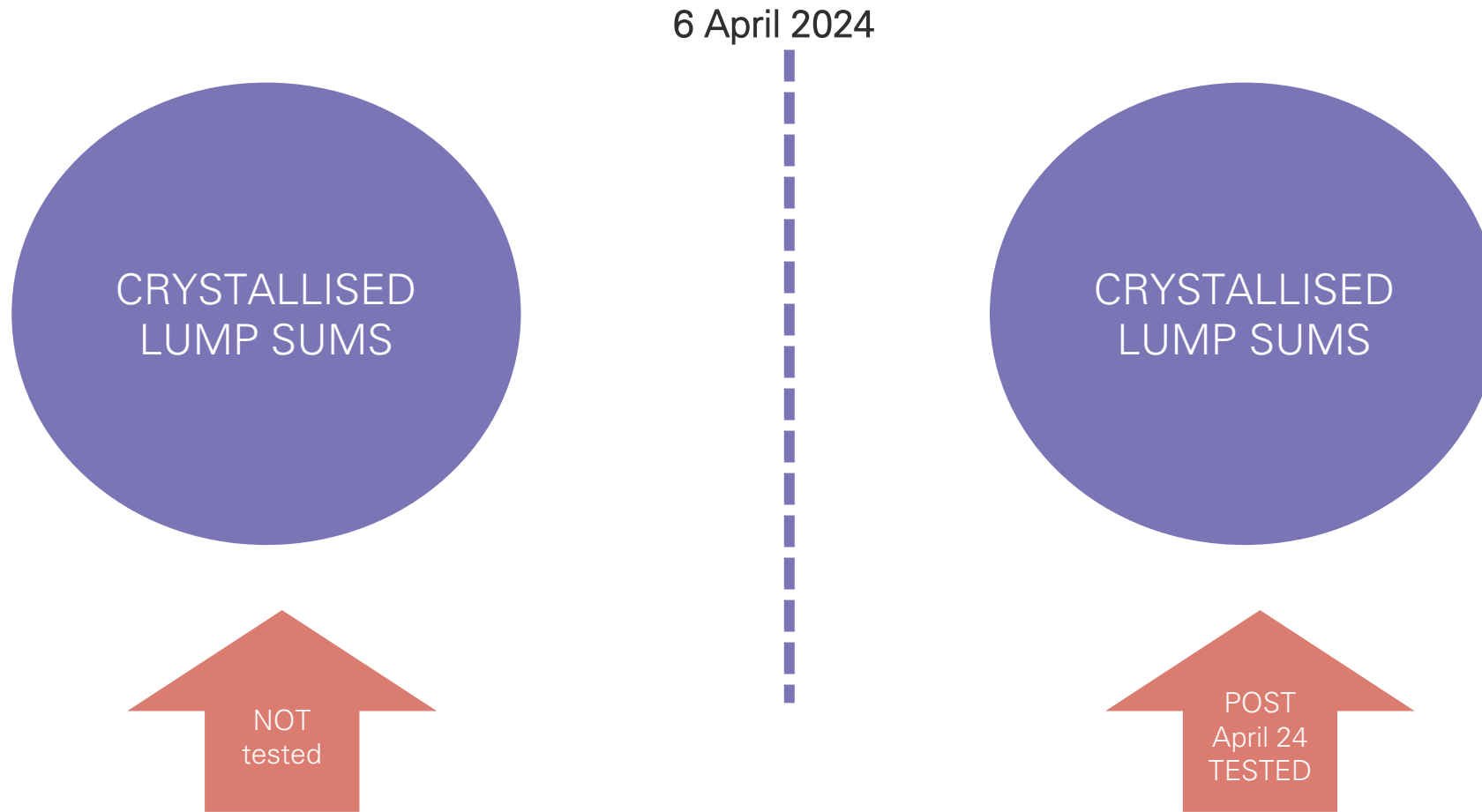
Post 75, or  
pre 75 >  
2yrs  
Taxed

Taxed

Benefits in  
Payment at  
April 2024

No Change

# Key Change pre 75, < 2yrs



# LSDBA

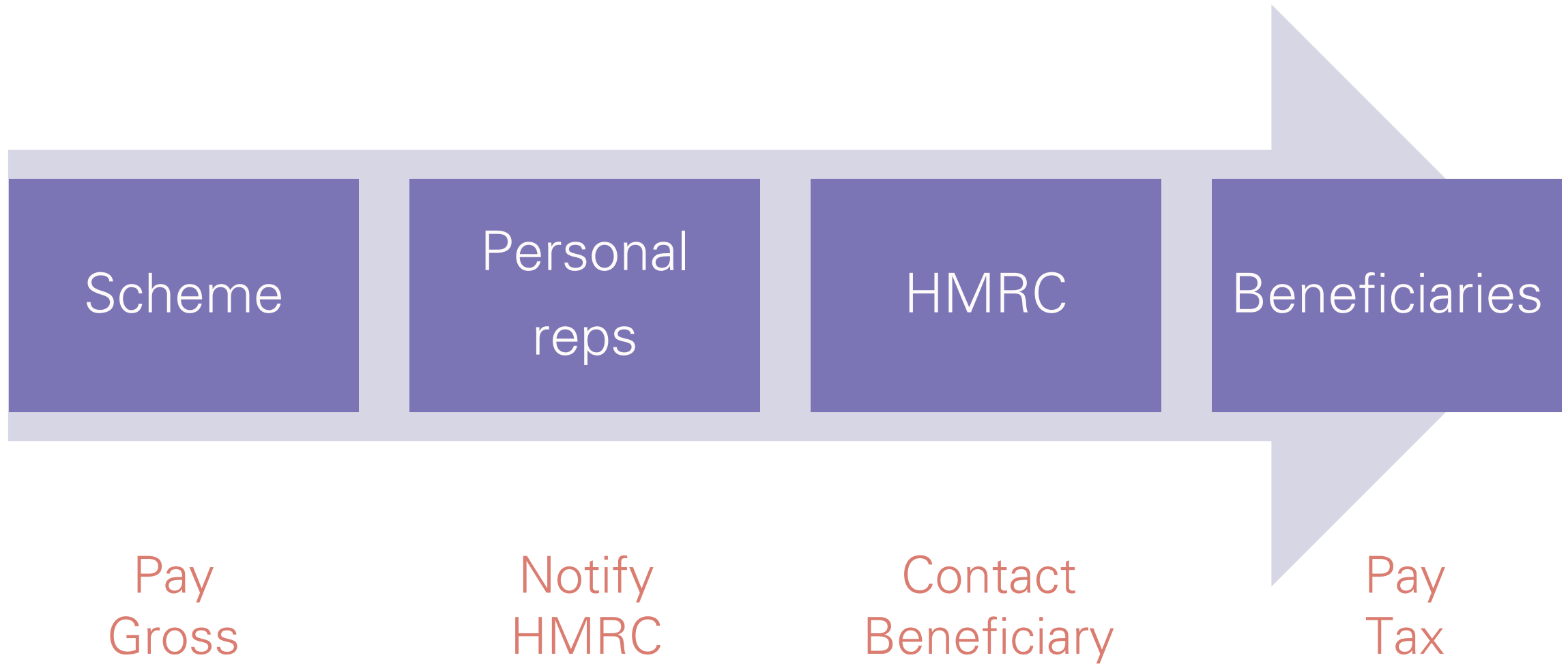
3 things NOT tested



All other Lump Sum Death Benefits ARE tested  
INCLUDING

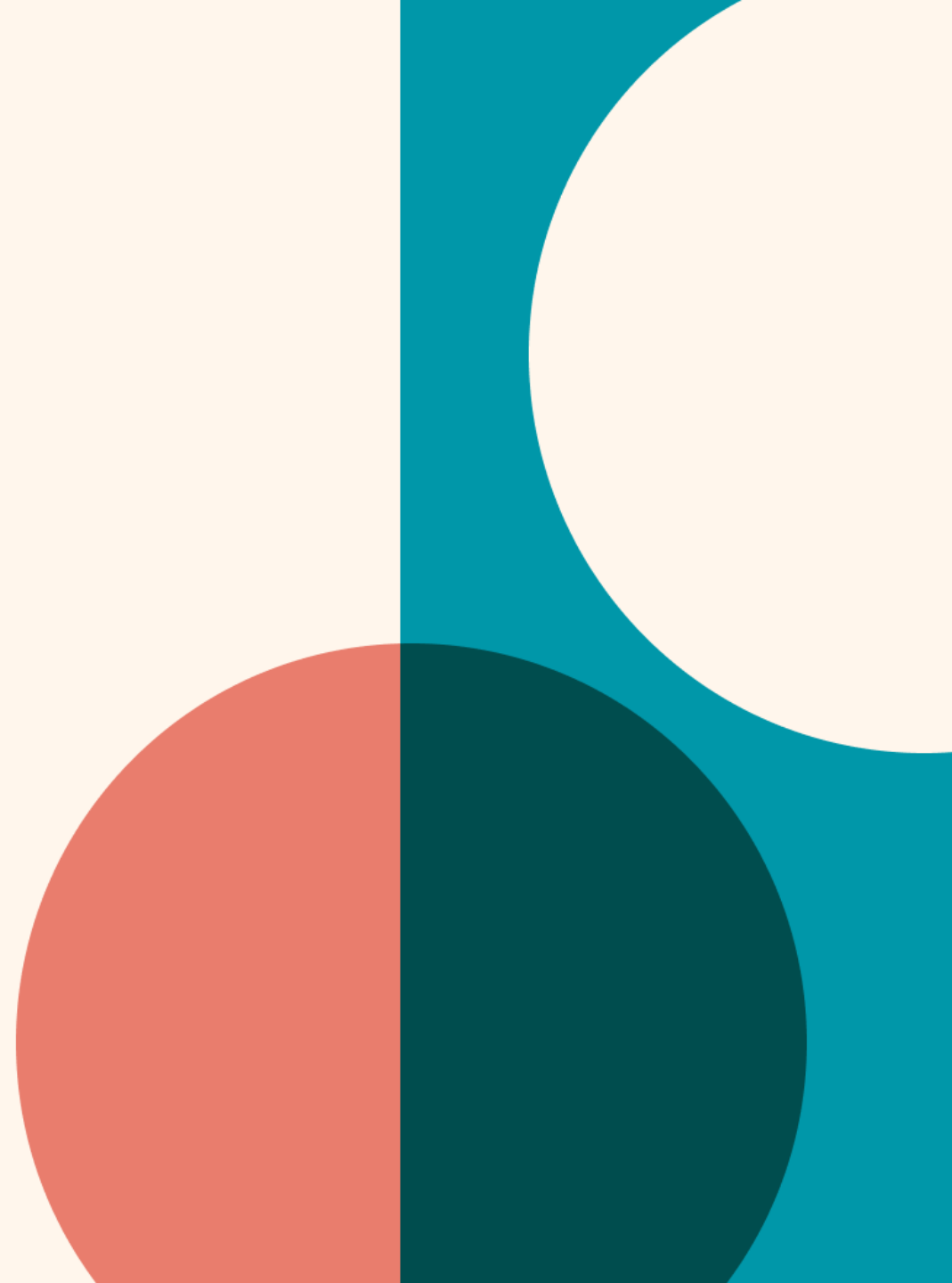
Lump Sums from Beneficiary Drawdown pots

# Death “admin”



# PLANNING THOUGHTS

Death Benefits  
Post April 2024  
Funding  
Factfind





# Freedom Friendly Pension Schemes

Lump Sum Death Benefits > LSDBA

Date of Death > Age 75

Make sure DC pots have beneficiary drawdown available

# Things to think about from 6<sup>th</sup> April

Transitional Tax-Free Amount Certificates (TTFAC)

Check before RBCE advice

Tax-free lump sum amount > 25%

Order of Benefits

Transfer to QROPS

More tax free?

Pensions in payment on 5 April 2006

Test ASAP if escalating income

# Pension Funding

Not meeting  
protected  
allowances  
(Fixed  
Protection)

New or  
increased  
tax-free lump  
sum amounts

Fund beyond  
Lump Sum  
Allowance

# Is PCLS that big a deal?

## LSA available

	Cost after Tax Relief	Net Benefit (after PCLS)
Basic Rate	£80	£85
Higher Rate	£60	£70
Additional Rate	£55	£66.25

## No LSA available

	Cost after Tax Relief	Net Benefit (no PCLS)
Basic Rate	£80	£80
Higher Rate	£60	£60
Additional Rate	£55	£55

# Factfinding questions...

The amount and type of all the pension benefits you have taken so far and the dates you took them?

The amount and type of pension benefits you have still to take?

What pensions death benefits will be payable when you die from all your schemes?

Did you have any protections or enhancements under the old LTA regime?



# QUESTION TIME



# Learning Objectives

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

Describe how to establish the starting Lump Sum and Lump Sum and Death Benefit Allowances for your clients.

Explain how the new allowances are used up

Identify the key financial planning considerations for you clients

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## Les recommends

[LTA Transitional Tax Free Amount Tool](#) →

6 Apr 24 | 10 min read

[Transitional Tax Free Amount Certificates \(TTFAC\)](#) →

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[ISA allowances](#) →

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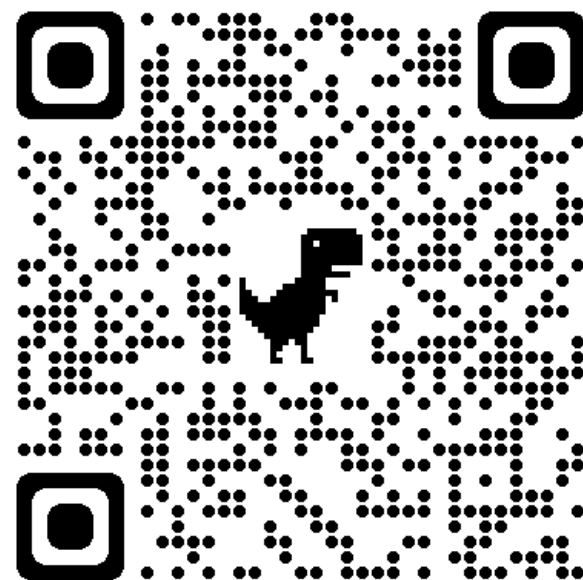
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