

# Quite simply...

...the new pension 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

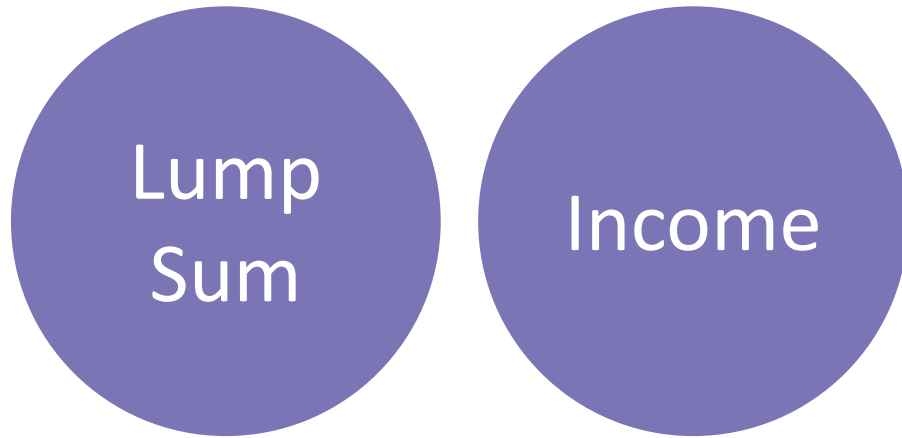
Identify the key financial planning considerations for your clients



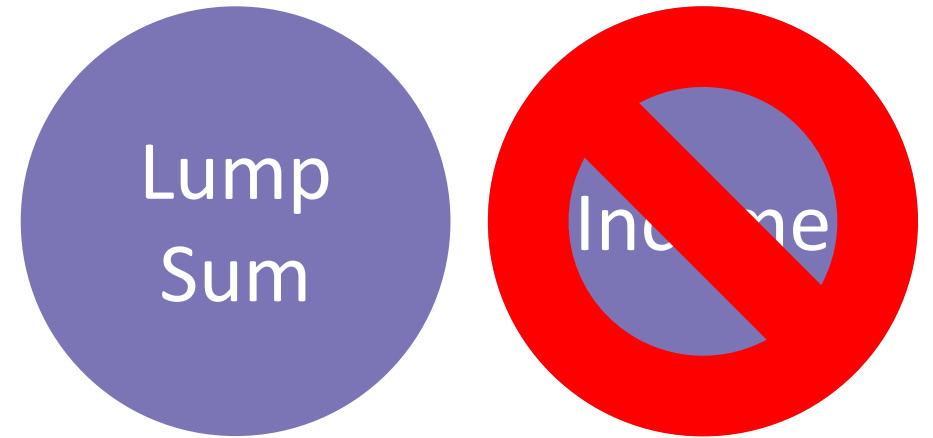
The new regime

# The new approach

6 April 2024



Lifetime Allowance

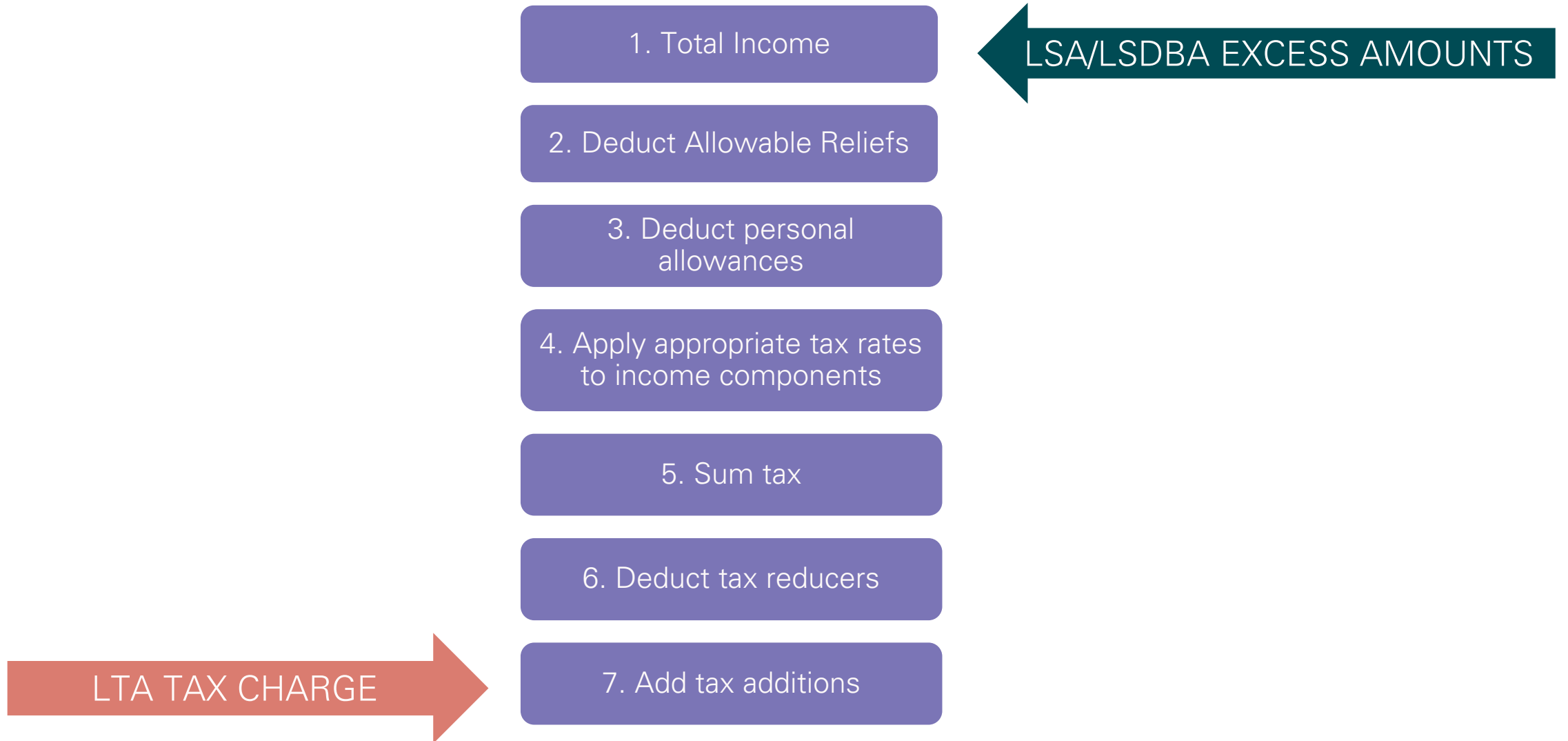


Lump Sum Allowance

Lump Sum & Death Benefit Allowance

Overseas Transfer Allowance

# 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

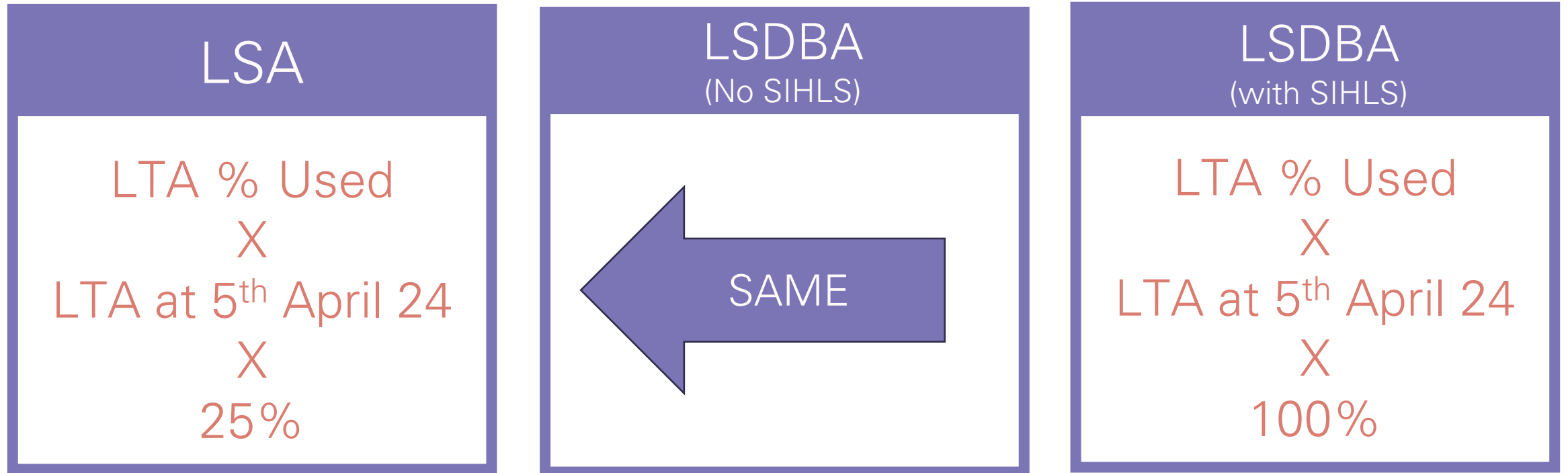
LESS

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	$66.66\% \times 25\% \times £1,073,100 = £178,832$ <b>LSA - £89,443</b>
Transitional	£268,275 - £0 <b>LSA - £268,275</b>

“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	$55.55\% \times 25\% \times £1,073,100 = £149,026$ <b>LSA - £119,249</b>
Transitional	£268,275 - £250,000 <b>LSA - £18,275</b>

“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	$100\% \times 25\% \times £1,073,100 = £268,275$  LSA - £0
Transitional	£268,275 - £250,000  LSA - £18,275

“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  LSA - £0

“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

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

## Permitted Maximum as at 6th April 2024

### 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)

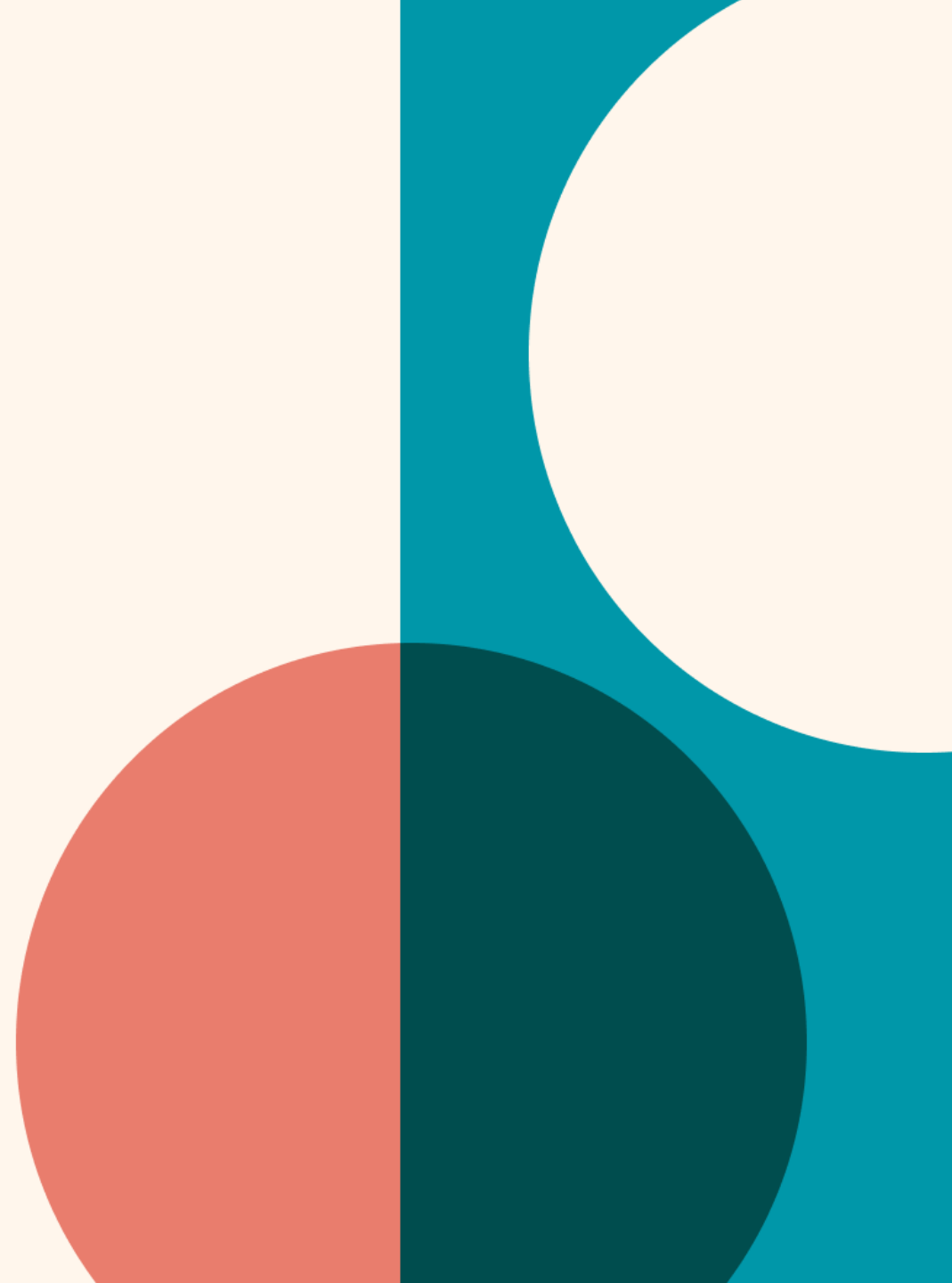
	LSA	LSDBA
<b>Scheme Specific Protected Tax Free Cash</b>		
All	25% (of TOTAL "crystalised")	100% (of tax-free amount)
<b>Standalone Lump Sum</b>		
Primary or Enhanced Protection	100% (of tax-free amount)	
No PP/EP	25% (of TOTAL "crystalised")	100% (of tax-free amount)
<b>Other</b>		
Pre Commencement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

# MEMBER BENEFITS

SMALL POTS

PCLS

SIHLS



# 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

# 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 - £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 2**  
LSA available - £50,000  
LSA required - £90,000  
PCLS paid - **£50,000**  
LSA used - £50,000  
LSA remaining - £0  
LSDBA remaining - £704,825

**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

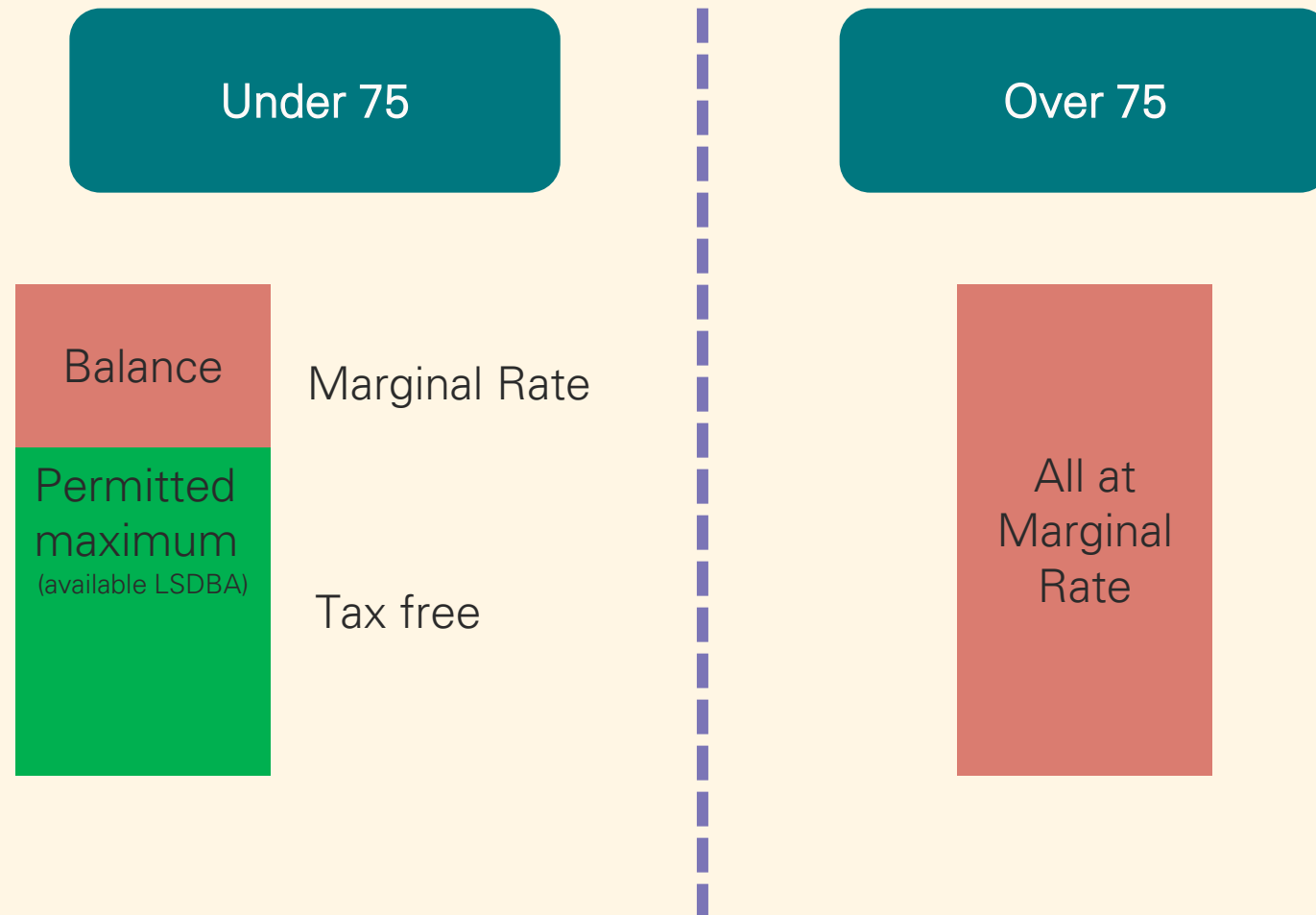
**Tax-free total £200,000**

**Tax-free total £240,000**



Standard leaving £1 > Scheme Specific > Standalone

# Serious Ill Health Lump Sums



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

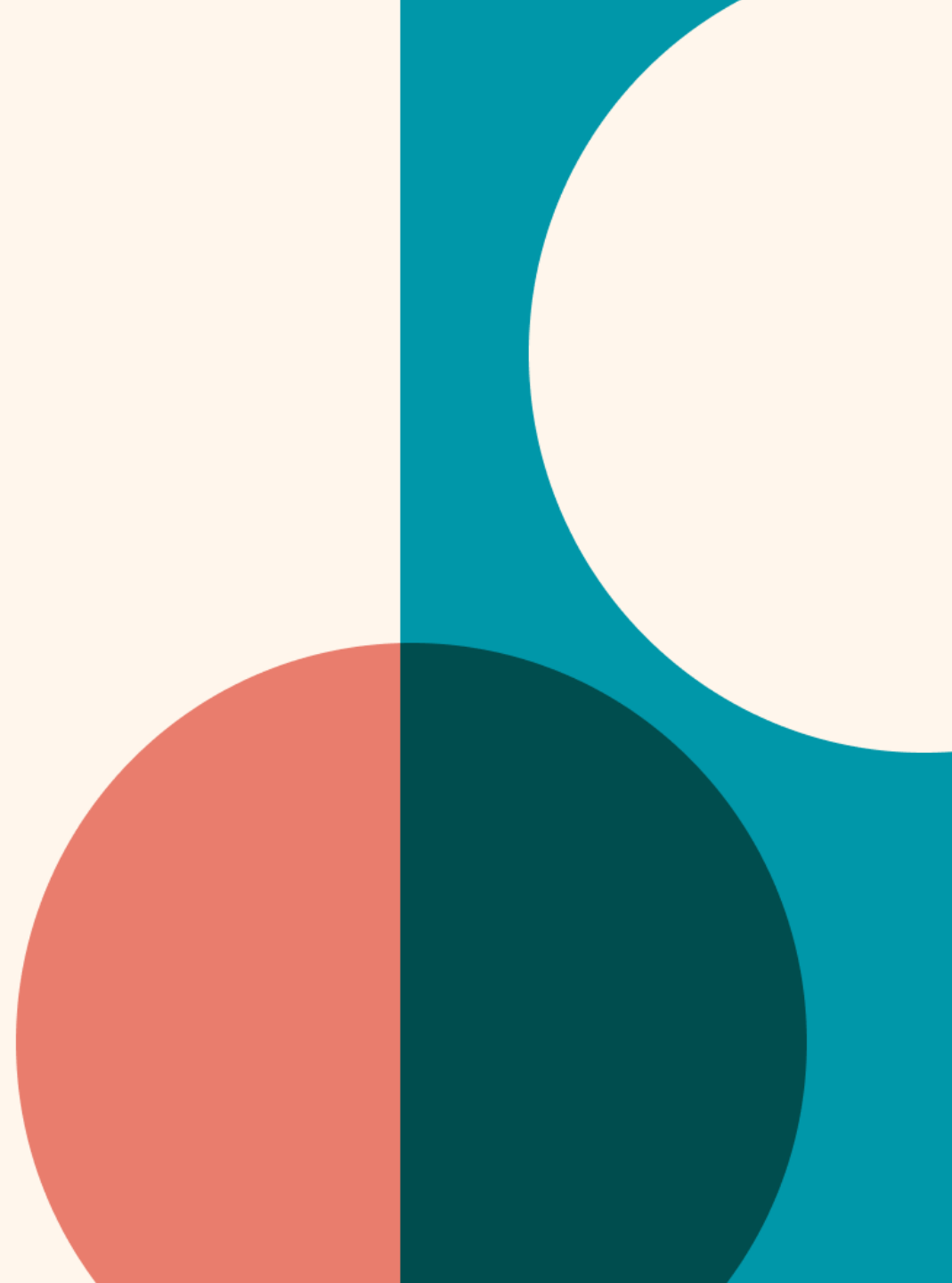
# DEATH BENEFITS

Key Points from old to new

What is tested

Taxation

Administration



# Key concepts



AGE 75



2 YEAR  
WINDOW

# LSDBA

4 things NOT tested

Income  
Benefits

Trivial  
Comm  
LSDB

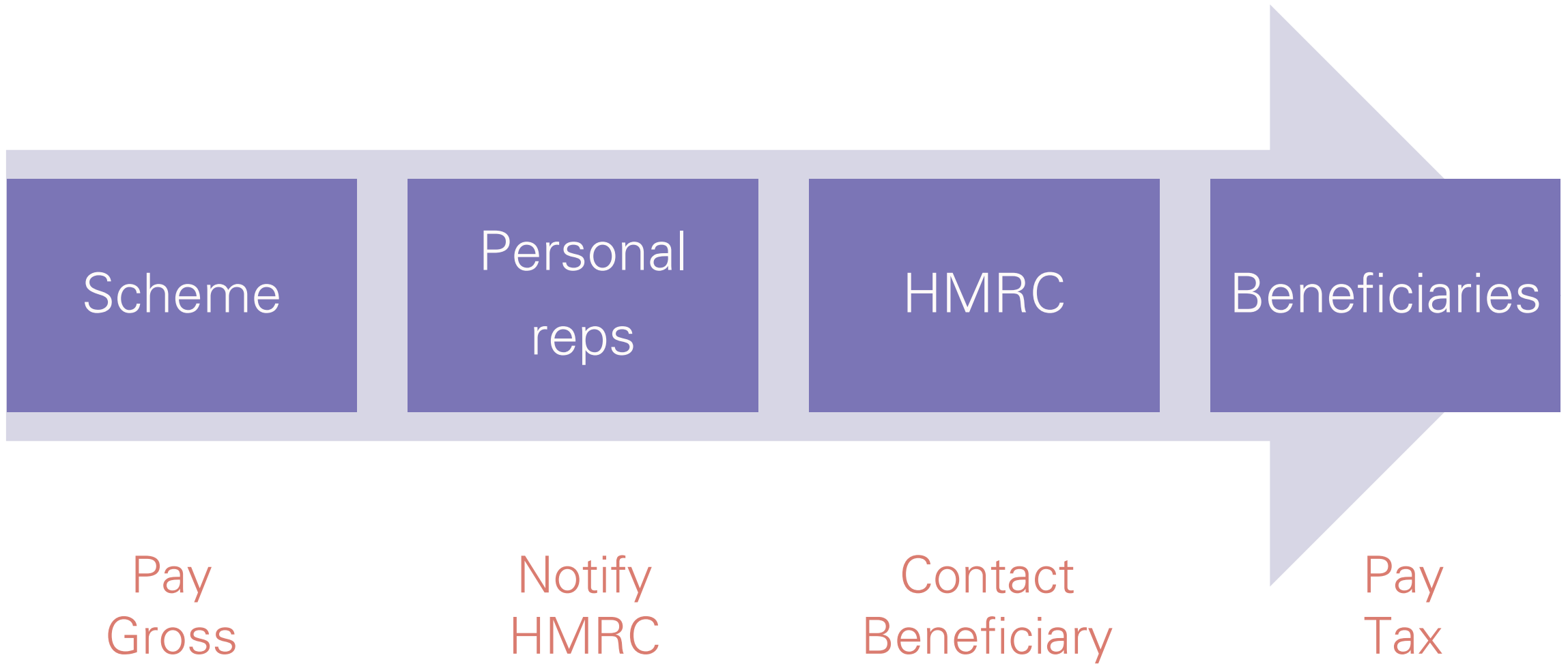
Charity  
LSDB

Previously  
LTA tested  
pots

All other Lump Sum Death Benefits ARE tested  
INCLUDING

Lump Sums from Beneficiary Drawdown pots

# Death "admin"



# 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

# QUESTION TIME





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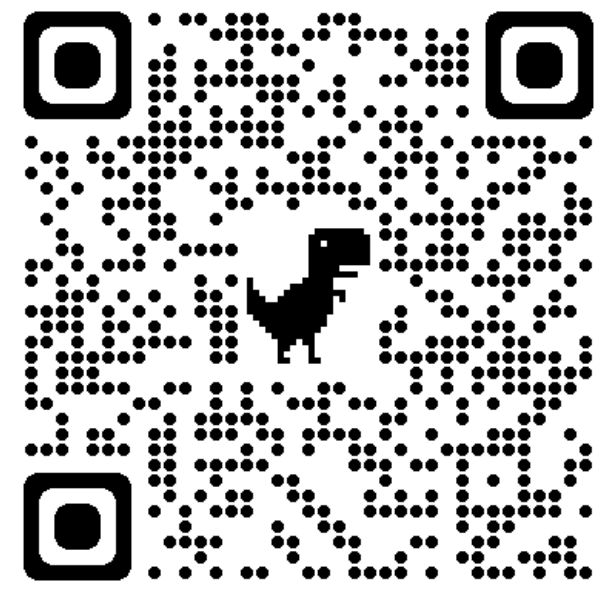
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