

Pensions Tax

HM Revenue & Customs (HMRC) have established allowances within which pension savings achieve tax favourable treatment in the UK.

The value of your pension benefits for this purpose is effectively measured in two ways:

- The [Annual Allowance \(AA\)](#) – This measures the value of pension savings earned in each tax year. Whilst there is no limit upon the amount of savings you may make in any one year, the AA sets the limit above which you may become subject to a tax charge.

The AA is assessed each tax year and applies to the increase in the value of your pension savings across all registered arrangements.

- The [Lump Sum Allowance \(LSA\) and Lump Sum Death Benefit Allowance \(LSDBA\)](#) replaced the Lifetime Allowance from 6 April 2024. The Lump Sum Allowance (LSA) is the maximum amount of benefits which can be taken from all registered pension schemes in the form of tax-free cash. The standard Lump Sum Allowance is £268,275 (2024/25) unless you have a protected allowance with HMRC.

The Lump Sum & Death Benefit Allowance (LSDBA) is the maximum amount of total tax-free lump sum payments which can be paid to you or your beneficiaries before becoming subject to marginal rate taxation. This includes any lump sums used up under the LSA, any benefits paid as a serious ill health lump sum before age 75 and any lump sum death benefits paid upon your death before the age of 75. The standard allowance is £1,073,100 (2024/25) unless you have a protected allowance with HMRC.

The State Pension benefits are excluded from these assessments.

If you believe that you may be impacted by pensions tax issues, please contact the [Pensions Team](#) who may be able to assist you with further information.

The Pensions Team are unable to offer any form of financial advice specific to your personal circumstances. If you are likely to be affected by pensions tax you should seek independent financial advice regarding your options.

The **Financial Advice** section contains details of independent financial advisers who are working with the London Pensions Consortium to provide financial advice to members. The **FAQ and Useful Links** page of the website also contains details of how you can locate an independent financial advisor and details of other organisations who may be able to assist you.