

April 2023

The Lifetime Allowance (LTA)

The Lifetime Allowance (LTA) places a value upon your pension savings built up across all UK registered pension arrangements throughout your lifetime. Prior to 6 April 2023, the LTA was the limit above which you would become subject to a Lifetime Allowance tax charge on the amount of savings in excess of the LTA.

The government announced that the Lifetime Allowance is to be abolished, meaning that from 6 April 2023 the Lifetime Allowance tax charge on any excess value of savings has been removed.

The Lifetime Allowance will be fully abolished from the 2024/25 tax year, through a future Finance Bill.

This means that for the 2023/24 tax year the current Lifetime Allowance framework remains in place and will be used to determine the amount of tax free cash which is permitted to be payable at retirement. However, you will not become subject to any Lifetime Allowance tax charge, regardless of the total value of your savings.

The latest standard LTA was set at £1,073,100. From 6 April 2023, whilst the LTA has been abolished for the purposes of determining any limit above which you become subject to an LTA tax charge, the allowance remains in place for determining the amount of tax free cash permitted to be paid at retirement.

You no longer become liable to an LTA tax charge, regardless of the value of your retirement savings, after 6 April 2023, but the maximum amount of tax-free cash available at retirement remains 25% of this LTA value, so equates to a maximum amount of £268,275.

Individuals with an existing Lifetime Allowance protection certificate filed with HMRC may be permitted a higher level of tax-free cash.

How is the LTA valued?

To determine the value of any benefits becoming payable:

- the value of any defined benefits put into payment is calculated as 20 times the amount of annual pension put into payment, plus the cash value of any lump sum taken at retirement.
- the value of any defined contribution benefits is simply the value of your investment fund at the point you receive the benefits.

Lifetime Allowance Protections

The LTA was introduced on 06 April 2006 and some individuals with significant pension savings at that date may have been able to protect the value of their benefits earned at that date by applying to HMRC for a form of protection (Primary Protection or Enhanced Protection).

You will know if this applies to you and you should have provided a copy of your protection certificate to the [Pensions Team](#) in order that they are aware of the protection you have in place.

The LTA was reduced on a number of occasions since and individuals may have taken the opportunity at the point at which these reductions applied to protect the value of their pension savings at one of these dates. If you have registered with HMRC for a form of Fixed Protection or Individual Protection at one of these dates, please ensure that you have provided evidence of your protection filed with HMRC to the [Pensions Team](#) in order that they are aware of the protection you have in place.

Anybody who has a form of protection in place will have their tax-free cash entitlement calculated with reference to the level of their personally protected Lifetime Allowance.

Further information on applying for Protection is available from the [HMRC website](#).