

The Lump Sum Allowance (LSA) & Lump Sum Death Benefit Allowance (LSDBA)

From 6 April 2024 the former Lifetime Allowance (LTA) was abolished and replaced by a Lump Sum Allowance (LSA) and Lump Sum Death Benefit Allowance (LSDBA).

Payments in excess of these allowances become subject to income tax at the corresponding marginal rate.

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

The LSA

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 LSDBA

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.

Former Lifetime Allowance Protections

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 former Lifetime Allowance was reduced on a number of occasions since its introduction in 2006 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 allowance.

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