

Lifetime Allowance Technical Bulletin



From 6th April 2016, the Lifetime Allowance (LTA) reduced to £1m. From April 2018, the LTA will be indexed annually in line with CPI.

People with pensions worth more than the LTA will need to pay tax (the LTA charge) on the amount over the LTA - or over their personal LTA if they have LTA protection - when they take their pension.

The aim of LTA protection is to allow individuals with pensions worth more than the LTA to maintain their value without being subject to new taxation when the LTA is reduced.

The table below shows how the LTA has changed since its introduction in 2006, and explains the various types of LTA protection which are or have been available.

Year	LTA	Available protection	What it does
2016-2017	£1m	Individual Protection 2016 (IP2016)	Protects the individual's LTA to the lower of: <ul style="list-style-type: none"> • The value of their pension(s) at 5 April 2016 • 1.25 million
		Fixed Protection 2016 (FP2016)	Fixes the individual's LTA at 1.25m
2014-2016	£1.25m	Individual Protection 2014 (IP2014)	Protects the individual's LTA to the lower of: <ul style="list-style-type: none"> • The value of their pension(s) at 5 April 2014 • £1.5m
		Fixed Protection 2016 (IP2014)	Fixes the individual's LTA at 1.5m
2012-2014	£1.5m	Fixed Protection 2016 (FP) or (FP2012)	Fixes the individual's LTA at 1.8m
2010-2012	£1.8m	Primary Protection (PP)	Enhances the individual's LTA to $(1 + \text{LTA factor}) \times £1.8\text{m}$ LTA factor is based on the value of the individual's pension(s) at 5 April 2006 over £1.5m
2009-2010	£1.75m		
2008-2009	£1.65m		
2007-2008	£1.6m		
2006-2007	£1.5m	Enhanced Protection (EP)	Removes the individual's LTA charge



Continued saving into a pension

Fixed Protection limits the ability to continue saving into a pension as described below:

Type of protection	Can the individual keep building up their pension(s)?
Individual Protection (IP2014, IP2016)	Yes. They will pay tax on money taken from the pension(s) that exceeded their protected LTA.
Fixed Protection (FP, FP2014, FP2016)	No. Further pension saving will cause protection to be lost. Tax will be payable above the standard LTA when they take their pension. (If they have FP2014 and IP2014 or IP2016, IP will be dormant until FP is lost).

The impact of group life cover

Membership of a group life policy may count as pension savings, and therefore cause an individual to lose their Fixed Protection.

Impact of Registered GL	Impact of Excepted GL
<p>A lump sum benefit paid out of a registered arrangement (upon the death of the member) will be included in the calculation of the value of an individual's pension and count towards the member's LTA.</p> <p>Death in service pension benefits are not included in the calculation of the pension value.</p> <p>Continued membership of a registered GL policy would not be counted as pension saving and will not cause Fixed Protection to be lost.</p> <p>Joining a new, or different registered arrangement - even if only providing lump sum death benefits - would lead to the loss of Fixed Protection.</p>	<p>As these policies fall outside of the registered pension regime, LTA charges will not apply to lump sum benefits paid from an excepted policy.</p> <p>Membership of a new or existing excepted policy will not cause Fixed Protection to be lost.</p> <p>Excepted policies may be used to provide GL benefits above the LTA for existing members of a registered arrangement, or for the whole benefit for members with Fixed Protection joining a new arrangement.</p>

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