



Lifetime Allowance

Technical Bulletin

From 6th April 2016, the Lifetime Allowance (LTA) reduced to £1m. From April 2018 until April 2020, the LTA was indexed annually in line with Consumer Prices Index (CPI). The LTA will remain frozen at the current level until April 2026.

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 was reduced.

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

Year	LTA	Available protection	What it does
2020 onwards	£1,073,100	N/A as LTA now indexed	
2019-2020	£1.055m	N/A as LTA now indexed	
2018-2019	£1.030m	N/A as LTA now indexed	
2016-2018	£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 • £1.25m
		Fixed Protection 2016 (FP2016)	Fixes the individual's LTA between £1m and £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 2014 (IP2014)	Fixes the individual's LTA between £1.25m and £1.5m
2012-2014	£1.5m	Fixed Protection 2012 (FP2012)	Fixes the individual's LTA between £1.5m and £1.8m
2010-2012	£1.8m		
2009-2010	£1.75m		
2008-2009	£1.65m		
2007-2008	£1.6m		
2006-2007	£1.5m	Primary Protection (PP)	Enhances the individual's LTA to (1+LTA factor) x £1.8m LTA factor is based on the value of the individual's pension(s) at 5 April 2006 over £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)	<p>Yes.</p> <p>They will pay tax on money taken from the pension(s) that exceeded their protected LTA.</p>
Fixed Protection (FP, FP2014, FP2016)	<p>No.</p> <p>Further pension saving will cause protection to be lost. Tax will be payable above the standard LTA when they take their pension.</p> <p>(If they have FP2014 and IP2014 or IP2016, IP will be dormant until FP is lost).</p>

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 Group Life	Impact of Excepted Group Life
<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 Group Life 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 Life policies may be used to provide Group Life 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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