

Lifetime Allowance

A guide to what's changing

For professional use only

The Lifetime Allowance (LTA) was first introduced on 6th April 2006 as a cap to the amount of benefits someone could receive from their pensions without a tax charge.

In March 2023’s Economic and Fiscal Outlook, the Office for Budget Responsibility estimated that removing the current tax-exempt ceiling on pension benefits could incentivise more people to stay in work for longer, continue saving and increase employment by an estimated 15,000 in 2027 to 2028.

The LTA regime is now being replaced by two new allowances which are:

- the Lump Sum Allowance (LSA), which limits the amount of tax-free benefits that can be received
- the Lump Sum Death Benefit Allowance (LSDBA), which limits the amount of benefits that can be passed on tax-free as lump sums when your client passes away

Keeping the transition plain sailing

At Parmenion, we’re working to ensure everything is up-to-date and in line with the latest legislation. We’ve adapted our systems and communications to make the change clear and simple for you and your clients.

From 6th April 2024, all LTA information will be updated to reflect the new legislation. We’ll keep key information in our infrastructure for an audit trail of the change and to help if any future calculations are needed. You’ll also see changes to relevant key documents and communications.

Our platform updates

Some of our screens, including the SIPP allowance screen and the crystallisation processes where you can find key bits of information about your clients’ position, have been updated. All relevant key information and existing data will be updated automatically.

This is the main difference that you’ll now see on the platform:

The screenshot shows the 'Lump Sum Allowance (LSA)' screen in the Parmenion platform. The client is Dr Arturo Gallegos. The LSA amount is £268,275.00. A note states: 'We have assumed your client has the standard Lump Sum Allowance (LSA), unless protection certificates have been provided. If you have these please provide us with them.' Below this is a table:

Allowance	Percent
Lump Sum Allowance remaining	100%
Lump Sum Allowance used with Parmenion	0%
Lump Sum Allowance used elsewhere	0%

Below the table, the 'Annual Allowance (AA) / Money Purchase Allowance (MPA)' is shown as £60,000.00. A note states: 'This is determined by both your client's earnings and their SIPP withdrawals.' At the bottom, there is a detailed explanation of the standard Annual Allowance (AA) and how it is affected by 'Adjusted Income'.

Changes to documents

- Annual Statements: The Lifetime Allowance Certificate has been renamed to the Lump Sum Allowance Summary, now containing relevant Lump Sum Allowance and Lump Sum Death Benefit figures.
- SIPP Illustrations: These now refer to Lump Sum Allowance rather than Lifetime Allowance in the relevant section on Available Tax-Free Cash.
- SIPP Regular Withdrawal Authority & Confirmation Letters: Updated to reflect Lump Sum Allowance, with figures added for easy reference.
- SIPP Withdrawal Declaration: Now covers both Lifetime Allowance and Lump Sum Allowance scenarios.

Here’s an example:

Lump Sum Allowance Summary	
Client Name	Estate of the late Mr Aisha M Shepard
Customer Reference Number	0000304178
Pension Scheme Tax Reference	00809285RE
Effective Date	11 Mar 2024
Lump Sum Allowance Protection	No
Your Total Lump Sum Allowance	£268,275.00 (2023/24 tax year)
Remaining Lump Sum Allowance	£225,351.00
Your Total Lump Sum Death Benefit Allowance	£1,073,100.00
Remaining Lump Sum Death Benefit Allowance	£781,538.73

Key things to consider

Transitional tax-free certificates

For clients who’ve already taken pension benefits before 6th April 2024, transitional tax-free certificates may be necessary. From 6th April, these can be requested by completing a form on the platform and sending it to our Client Services team.

While they may increase the available LSA, transitional certificates could also reduce it, depending on previous withdrawals. Once applied for, they’re binding, so they need to be carefully considered.

Our Pension Technical Specialist Shaun Tucker recently wrote [an article](#) explaining these points in further detail. Make sure to give it a read if this could apply to any of your clients.

First crystallisation after 6th April

Once a client crystallises pension assets in the new tax year via a Relevant Benefit Crystallisation Event (RBCE), you will no longer be able to request a transitional tax-free certificate for this client. Therefore, both their LSA and LSDBA will be calculated based on standard transitional calculations.

It’s worth considering the potential impact for clients with a regular crystallisation in place.

What’s next

While we’ve been able to make most changes, we’re still waiting for some important details from HMRC. As soon as we have more information, we’ll make the appropriate updates to our processes and let you know what’s changed.

Useful reading and watching

If you’d like to know more about the Lifetime Allowance changes, take a look at our recent articles on the topic, or listen again to our Let’s Talk Retirement – Lifetime Allowance Special webinar.

[Get ready for transitional tax-free amount certificates](#)

[New ‘how-to’ articles available from 6th April](#)

[Lifetime Allowance special webinar with Shaun Tucker](#)

Get in touch

If you have any further questions, we'll be happy to help

Phone:

0117 204 7678

Email:

mail@parmenion.co.uk

Parmenion

Registered Office: Aurora,
Counterslip, Bristol, BS1 6BX.

Website: www.parmenion.co.uk

Parmenion Capital Partners LLP
Authorised and regulated by the
Financial Conduct Authority.

FCA Number 462085. Registered in
England and Wales OC322243.