

The LTA and Protecting Your Benefits

In April 2006, when the Lifetime Allowance (LTA) of £1.5 million came into force, HMRC introduced specific 'Protections' for the benefits of those impacted, called Primary Protection and Enhanced Protection. Further Protections were introduced in 2012, 2014 and 2016 when the LTA reduced: called Fixed Protection (2012), (2014) and (2016) and Individual Protection (2014) and (2016).

The Lifetime Allowance (LTA)

- The LTA is the maximum value of tax relievable pension savings that you can accumulate over all your pension arrangements.
- The LTA is currently £1,073,100 (increasing in line with CPI each April).
- Unless a form of 'protection' is in place, any benefits on retirement exceeding £1.0731 million will be subject to an excess tax charge.
- Two new protection regimes, exempt from application deadlines were introduced in April 2016;
 - Individual Protection 2016; and
 - Fixed Protection 2016.

Individual Protection 2016

- Available if you had benefits over £1 million as at April 2016.
- Protection level will be the value of the benefits up to a maximum of £1.25 million.

Fixed Protection 2016

- Available regardless of the value of your benefits.
- Provides a LTA of £1.25 million.
- No further benefits can be accrued after 6 April 2016.
- If you didn't opt-out of your current pension arrangement through the IBM 2016 You* election tool, you aren't eligible for this protection.

- For more information, visit www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance#individual-protection-2016.

Individual Protection 2014 (IP14)

- The application for Individual Protection 2014 closed on 5 April 2017, however members who have this protection can still amend the amount protected.
- It enabled members to protect any pension savings built up before 6 April 2014, providing the value as at 5 April 2014 exceeded £1.25 million, subject to a maximum value of benefits of £1.5 million.
- Members of IP14 can still be active members of any registered pension scheme, but savings above the protected amount will be subject to a tax charge.

Primary, Enhanced and Fixed Protection (2012) and (2014)

Primary Protection

- Applications closed on 6 April 2009.
- Any members with benefits of over £1.5 million on 5 April 2006 could use Primary Protection to reduce or eliminate an LTA charge.
- Where benefits have been transferred to another registered pension scheme and Primary Protection has been granted, the protection will remain.

Enhanced Protection

- Applications closed on 6 April 2009.
- Members with pension rights before 6 April 2006 could apply for Enhanced Protection.
- No minimum benefits value, but Enhanced Protection was usually only applied for if their pension benefits may have exceeded the LTA in the future.
- Gives full protection from the LTA charge when a member takes their benefits.
- Members with Enhanced Protection must have stopped being an active member of all registered pension schemes (excluding any on-going contracted-out payments to a scheme before 6 April 2006), prior to 6 April 2006.
- Where benefits have been transferred to another registered pension scheme and Enhanced Protection has been granted, the protection in most cases will remain.

Fixed Protection (2012)

- Applications closed on 6 April 2012.
- Members registered for Fixed Protection (2012) keep a LTA of £1.8 million after 6 April 2012.
- Only members without Primary or Enhanced Protection could apply. They didn't need to have built up pension savings of more than £1.5 million to apply, but applicants had to stop being in active membership of any registered pension schemes prior to 6 April 2012.
- Where benefits have been transferred to another registered pension scheme and Fixed Protection (2012) has been granted, the protection in most cases will remain.

Fixed Protection (2014)

- Applications closed on 6 April 2014.
- Members registered for Fixed Protection (2014) keep aLTA of £1.5 million after 6 April 2014.
- Only members without Primary, Enhanced or Fixed Protection (2012) could apply. They didn't need to have built up pension savings of more than £1.5 million to apply, but applicants had to have stopped being in active membership of any registered pension schemes prior to 6 April 2012.
- Where benefits have been transferred to another registered pension scheme and Fixed Protection (2014) has been granted, the protection in most cases will remain.

NOTES:

- If the LTA increased to above your protected amount, then protection falls away and you will be subject to the standard LTA.
- If you are subject to a Pension Sharing Order, this can affect your protection.

Other benefits

Lifetime Allowance can also be applied to death benefits and for transfers to overseas pension schemes. In death cases, the liability for the arising LTA charge falls solely on the recipient(s), dependant or nominee as appropriate.