

What is the Lifetime Allowance (LTA)?

- The Lifetime Allowance is the total amount of pension saving that can be provided to an individual without incurring an extra tax charge.
- The capital value of benefits must be checked against LTA whenever a Benefit Crystallisation Event (BCE) occurs.
- A member can have more than one BCE.
- This assessment covers ALL pension benefits accrued in ALL tax registered pension schemes.
- The thresholds are set by the Government.

Lifetime Allowance levels

Tax Year	Lifetime Allowance
2006/2007	£1.50m
2007/2008	£1.60m
2008/2009	£1.65m
2009/2010	£1.75m
2010/2011	£1.80m
2011/2012	£1.80m
2012/2013	£1.50m
2013/2014	£1.50m
2014/2015	£1.25m
2015/2016	£1.25m
2016/2017	Reducing to £1million

Lifetime Allowance Calculation

Simple formula to assess capital value of benefits:

[20 x pension] + Lump Sum + AVC Fund

Simplified example of a retiring member of the LGPS

Date of retirement	4th May 2015
Annual pension payable at retirement	£35,000
Lump sum at retirement	£90,000
AVC fund at retirement	£20,000

$$20 \times \text{£}35,000 = \text{£}700,000 + \text{£}90,000 + \text{£}20,000$$

Capital Value = £810,000

As £810,000 is below the current LTA threshold at retirement (£1.25million), there is no tax charge to pay.

Lifetime Allowance continued

- If the retiree had exceeded the LTA then a tax charge on the excess would be payable.
- When LTA thresholds are reduced, protections are made available.
- The main protections are Fixed Protection and Individual Protection.
- Fixed Protection is easy to lose as further benefit accrual is restricted.
- Individual Protection can only be applied for if the capital value of your benefits exceeded £1.25 million at 5 April 2014.