Aspire to® Retire

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Lifetime allowance

This explains the Lifetime Allowance and changes introduced in the Spring Busget 2023.

There is no limit to how much you can build up in pension benefits, but the lifetime allowance (LTA) is the total amount of pension benefits that you can build up before paying a tax charge. The standard LTA for the 2023/24 tax year is £1,073,100.

It was announced in the Spring Budhet that the LTA will be abolished from 6 April 2024. Until this comes into effect, the LTA tax charge has been removed from 6 April 2023. This means that, whilst LTA checks will still need to be completed by pension scheme administrators when benefits are taken, the LTA tax charge will not apply to any benefits in excess of the LTA. Instead, these will be taxed at the individual's marginal rate of income tax.

Therefore, each time you access pension savings before 6 April 2024, you have to confirm whether you have any LTA remaining.

If you haven't already accessed savings, this is quite straight forward, but if you already have, the provider or scheme that paid you the benefits will be able to let you know how much LTA has been used.

Protecting your LTA

As the LTA has been reduced a number of times since it was first introduced, pension savers whose pension benefits

"The Lifetime Allowance tax charge has been removed from
6 April 2023"

exceeded or were expected to exceed the LTA threshold have been able to apply to HM Revenue & Customs (HMRC) for protection from these reductions.

A requirement for certain valid LTA protections was that no further contributions could be made into pension arrangements. Where such protection existed, or was applied for, before 15 March 2023, new pension contributions will now be able to be made without losing the protection from 6 April 2023.

If you have previously obtained a form of LTA protection from HMRC and want to understand what the changes may mean for you, you should get financial advice.

Tax-Free cash

Although you can save more into pensions without facing higher rates of tax when benefits are taken, from 6 April 2023, the maximum tax-free cash (also known as the Pension Commencement Lump Sum) will be capped at £268,275 (25% of the current standard LTA). Anyone with a right to a higher tax-free cash entitlement will keep their right to take a higher amount.

Further information can be found at:
www.gov.uk/tax-on-your-private-pension

If you think that you may be affected, you should seek further information and consider taking financial advice. You should be aware that an adviser will normally charge for using their services. You can contact Punter Southall Aspire's financial planning team for advice at **www.puntersouthall.com/contact**

This briefing note gives an overview only; it does not provide specific advice. It is based on our understanding of tax regulations for the 2023/2024 tax year, which may change in the future.

I need more information!

Further information can be found on your Aspire to Retire Resource Centre.