



For information only no action required

Pension allowance changes from 6 April 2024

We're updating our customer communications and website following the recent changes to the pension tax rules. Until that's complete you may still see references to the lifetime allowance in the information you receive from us. Please take this into consideration before making any financial decisions.

We recommend you speak to a financial adviser on anything you're unsure of or visit moneyhelper.org.uk

Key changes

From 6 April 2024:

- Lifetime allowance (LTA) has been replaced with two new allowances that limit the amount of tax-free cash you can take from your pension – the lump sum allowance and lump sum and death benefit allowance.
- The lifetime allowance tax charge that was payable if you exceeded the lifetime allowance was abolished on 6 April 2023. If you exceed the new allowances any lump sums you now take will generally be subject to income tax.
- A new overseas transfer allowance of £1,073,100 has been introduced.

What are the new allowances?

Lump sum allowance

The lump sum allowance is £268,275.

This is the total amount you can take tax-free in your lifetime as:

- Pension commencement lump sums (PCLS).
- Stand-alone lump sums.
- The tax-free element of any uncrystallised funds pension lump sums (UFPLS).

This is the same amount as the previous limit of taking 25% of your maximum lifetime allowance for the 2023/2024 tax year.

Lump Sum and Death Benefit Allowance

The lump sum and death benefit allowance is £1,073,100. This is the same amount as the previous lifetime allowance for the 2023/2024 tax year.

This is the total amount of lump sums you can receive tax-free to you during your lifetime, and to your beneficiaries after your death. The following payments count towards your lump sum and death benefit allowance:

- Pension commencement lump sums (PCLS).
- Stand-alone lump sums.
- The tax-free element of all uncrystallised funds pension lump sums (UFPLS).
- Serious ill health lump sums.
- Lump sum death benefits.

Tax on lump sums

Any lump sums taken once you've used up either of the allowances will be subject to income tax.

If you've used either of your lump sum allowances, you can't take any further PCLS payments and any further UFPLS payments will be subject, in full, to income tax. If you've used your lump sum and death benefit allowance then any serious ill health lump sums you take will be subject to income tax and, after your death, any lump sum death benefits paid to your beneficiaries will usually be subject to income tax.

You might be entitled to higher allowances if you've successfully applied to HM Revenue & Customs (HMRC) for a protected or enhanced lifetime allowance (the lifetime allowance was a limit that applied to pension benefits before 6 April 2024).

This information is based on our understanding of current taxation law and HMRC practice, which may change.

How are the allowances applied?

When you take lump sum benefits, they're tested against your available lump sum allowance and lump sum and death benefit allowance, and we'll confirm the amount you've used.

Generally, any benefits taken that used some of the lifetime allowance before 6 April 2024 (excluding small pots and trivial commutation lump sums) are included and will reduce the

amount of the new allowances that you have available.

A standard calculation is applied to convert what you had previously used of your lifetime allowance into the two new allowances. This standard calculation will apply regardless of how much of your lifetime allowance you actually used to provide lump sum payments. You can apply for a transitional tax-free amount certificate which will confirm the actual lump sum amounts taken before 6 April 2024. You must apply for this certificate before you take any further lump sums on or after 6 April 2024. Which option is right for you will depend on your own personal circumstances. If you believe that you may benefit from applying for a transitional tax-free amount certificate, we recommend you get advice from a financial adviser.

Term	Definition
Crystallise/crystallised	Pension benefits due/coming into payment.
Lifetime allowance	Before 6 April 2024, this was the maximum amount you could take from your pension without having to pay additional tax.
Pension commencement lump sum	When you access your pension benefits, you can take a tax-free lump sum - normally 25% of your pension pot, known as a pension commencement lump sum, or PCLS.
Uncrystallised funds	Uncrystallised funds - these are pension funds which haven't, as yet, been used to provide benefits under a pension plan.
Serious ill-health lump sum (SIHLS)	This is where uncrystallised benefits from the pension are paid as a lump sum due to you having a medical condition that means that you have less than 12 months to live.
Uncrystallised funds pension lump sum	This is a lump sum taken from your pension pot, from funds which aren't being used to pay income drawdown benefits or a pension. There is a 25% tax-free element and the balance is taxed at your marginal rate of tax.

[aegon.co.uk](https://www.aegon.co.uk)

 @aegonuk

 Aegon UK

Aegon UK plc, registered office: Level 26, The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AB. Registered in England and Wales (No. 03679296).

© 2024 Aegon UK plc.

RTL394766 04/24

