

LGPS administrator guide to:

Abolition of the LTA

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1. About this guide

This guide is to help LGPS administering authorities in England, Scotland and Wales implement the changes brought about by the abolition of the lifetime allowance (LTA).

All references to 'you' within the text mean 'the LGPS administering authority'. All references to the 'LGPS' should be read as references to the LGPS in England and Wales or the LGPS in Scotland, in isolation. Where this approach does not apply it is indicated in the text.

We thank Aon Solutions Ltd for their input to the guide.

2. The legislation

The Finance (No.2) Act 2023 removed the LTA charge for the tax year 2023/24.

[The Finance Act 2024](#) abolishes the LTA in full.

The lump sum rules remain in the Finance Act 2004; however, the tax provisions are now contained within the Income Tax (Earnings and Pensions) Act 2003. New chapter 15A contains sub sections 637A to 637S – these define the new lump sum allowances and how any excess is taxed.

The Pensions (Abolition of Lifetime Allowance Charge etc) Regulations 2024 take effect from 6 April 2024. They amend the Finance Act 2024 in multiple areas where it did not deliver policy intent.

3. Changes in brief

This section provides a short summary of the main changes. As with the LTA, most members will not be impacted by the new lump sum limits.

From 6 April 2024:

- the [lifetime allowance](#) (LTA) is fully abolished
- there is no longer a specific limit on the pension savings an individual can build up in their lifetime
- two new lump sum allowances are introduced: [lump sum allowance](#) (LSA) and [lump sum and death benefit allowance](#) (LSDBA)
- these lump allowances continue to restrict the payment of tax-free cash
- lump sums paid in excess of the LSA and LSDBA are taxed at the individual's marginal rate (instead of at 55 per cent which applied under the LTA regime)

- all annual pension is taxed at the individual's marginal rate
- [LTA protections](#) increase the standard LSA and LSDBA
- [pension commencement excess lump sums](#) (PCELS) replace [lifetime allowance excess lump sums](#) (LTAELS)
- a new [overseas transfer allowance](#) (OTA) for transfers to a [qualifying recognised overseas pension scheme](#) (QROPS) is introduced
- [relevant benefit crystallisation events](#) (RBCE) replace [benefit crystallisation events](#) (BCE)
- transitional arrangements take account of benefits paid before 6 April 2024 – they broadly assume the member has taken 25 per cent of their LTA as a lump sum
- members can apply for a [transitional tax-free amount certificate](#) (TTFAC) if they have taken less than 25 per cent of their LTA as tax-free lump sum
- [RBCE statements](#) replace LTA statements – the used LSA and LSDBA reported is a monetary value rather than a percentage
- RBCE statements continue beyond age 75
- there are changes to [paying tax charges and reporting requirements](#)
- there is a new reporting [event 24](#).

4. Background to tax changes

Before 6 April 2006

Various tax regimes applied to pension schemes depending on the type of scheme. These regimes included an earnings cap restricting the amount of salary on which pension contributions could be deducted, limits to the amount of pension contributions that could be paid (generally 15 per cent of pensionable pay) and limits on the amount of membership that could be built up.

6 April 2006 to 5 April 2023

A new pensions tax regime was introduced from 6 April 2006 - A-day. The lifetime allowance (LTA) was introduced as part of these reforms.

The LTA was the total amount an individual could build up in pension savings without having to pay a tax charge. Initially the LTA was £1.5 million. It reached a peak of £1.8 million in the 2011/12 tax year. It was then reduced in 2012, 2014 and 2016, when it reached its lowest level of £1,000,000. From 2018 it increased in line with inflation before being frozen at £1,073,100 from the 2020/21 tax year.

The test against a member's LTA was carried out when a Benefit Crystallisation Events (BCE) occurred. In the LGPS, BCE s generally took place when a member

took payment of their benefits or transferred to a [Qualifying Overseas Recognised Pension Scheme](#) (QROPS). A BCE also occurred where an authorised death benefit lump sum was paid or a member reached age 75 and had not taken their benefits.

A list of BCE s and their relevance in the LGPS, before and after 5 April 2024, is included in the [Glossary](#).

If an individual's pension savings exceeded the LTA, a tax charge was payable. The tax charge was 25 per cent on excess pensions and 55 per cent on excess lump sum.

Each time the LTA was reduced, members were able to apply to HMRC for an LTA protection.

From 6 April 2024, LTA protections can be used to protect an increased amount of tax-free lump sum by increasing the values of the member's available [LSA](#) and [LSDBA](#).

6 April 2023 to 5 April 2024

LTA charges were removed for any BCEs taking place in the 2023/24 tax year. Marginal rate income tax applied to all pension and lump sum payments that formerly attracted LTA charges. Although you were required to continue to operate LTA checks there was no requirement to report LTA charges on the AFT return.

5. From 6 April 2024

Summary

From 6 April 2024, the [LTA](#) is abolished. There is no longer a specific limit on how much pension savings an individual can build up in their lifetime.

Annual pension is taxed at the member's marginal rate and two new lump sum allowances are introduced. The new allowances are only used up by the payment of relevant tax-free lump sums, not pensions. This is a change from the previous practice under the LTA, where both pensions and lump sums were assessed.

[BCEs](#) are removed, other than when they are needed for annual allowance purposes. Where annual allowance legislation refers to including benefits at a BCE in the closing balance calculation, they remain in force for that purpose only.

BCEs are replaced by Relevant Benefit Crystallisation Events (RBCEs). An RBCE takes place when a relevant lump sum is paid and a check against the new lump sum allowances is performed.

The testing of uncrystallised benefits at age 75 is abolished from 6 April 2024. In the LGPS benefits must be paid by age 75. Previously, where it was not possible to this (eg because you could not trace the member), you were required to carry out a BCE 5 check at age 75. From 6 April 2024, an RBCE will occur at the date the member has an [actual entitlement](#) to a relevant lump sum.

Lump Sum Allowance (LSA)

The LSA is set at £268,275. It limits the amount of tax-free cash an individual can take. The LSA is used up when a member takes payment of the following relevant lump sums:

- a [pension commencement lump sum](#) (PCLS)
- an [uncrystallised funds pension lump sum](#) (UFPLS)
- a [stand-alone lump sum \(SAL\)](#).

An UFPLS can only be paid by LGPS Scotland. SALs are not payable from the LGPS.

It is only the tax-free element of a UFPLS that reduces the LSA. Where a SAL is paid under condition C, the LSA is reduced by 25 per cent of the SAL. For all other SALs, the LSA is reduced by the tax-free element of the SAL.

There is no provision within the legislation for the LSA to increase.

The Lump Sum and Death Benefit Allowance (LSDBA)

The LSDBA is set at £1,073,100. It limits the amount of tax-free cash that can be taken by an individual and paid in respect of them when they die.

LSDBA is used up by the following relevant lump sums:

- a [pension commencement lump sum](#) (PCLS)
- the tax-free element of an [uncrystallised funds pension lump sum](#) (UFPLS)
- a [stand-alone lump sum \(SAL\)](#)
- a [serious ill health lump sum](#) (under 75)
- a relevant [lump sum death benefit](#).

It is only the tax-free elements of UFPLS and SAL that reduce the LSDBA.

A relevant lump sum death benefit does not include a lump sum death benefit paid in respect of rights that were crystallised before 6 April 2024. These lump sums do not reduce a member's LSDBA.

There is no provision within the legislation for the LSDBA to increase.

Relevant Benefits Crystallisation Events (RBCE)

The lump sums listed previously are tested against the [LSA](#) and [LSDBA](#) at an RBCE.

An RBCE can only occur from 6 April 2024. Tax-free lump sums paid at an RBCE that are within the LSA and LSDBA will reduce the amount available of that allowance at any future RBCE.

Lump sums paid in excess of the LSA and LSDBA are taxed at the individual's or beneficiary's marginal rate.

Where the member has more than one RBCE on the same day, they must decide what order they are taking their benefits in and inform both scheme administrators. This works in the same way as under the LTA regime where a member had more than one BCE on the same day.

A RBCE is defined in section 637 of the Income Tax (Earnings and Pensions) Act 2003.

6. Availability of the LSA and LSDBA

Summary

From 6 April 2024 when you pay a relevant lump sum, you need to check it fits within the member's available [LSA](#) and [LSDBA](#).

To do this, you need to ask members if they have crystallised any pension benefits previously. We have prepared a '[Previous pension benefits declaration form](#)' to help you obtain this information from members.

The standard LSA and LSDBA may be increased if the member holds a valid LTA protection or has a valid LTA enhancement factor. See [members with LTA protections](#).

From 6 April 2024, relevant lump sums paid at an [RBCE](#) reduces the amount of LSA and LSDBA available for future RBCEs.

If a member has had a [BCE](#) or taken a [pre-commencement pension](#), transitional rules apply. The transitional rules also reduce the amount of LSA and LSDBA available.

If a member is entitled to a lump sum before 6 April 2024, but payment is not made until after that date, it is also subject to the transitional rules. A member becomes entitled on the BCE date – see [when to assess a PCLS](#).

BCEs - 6 April 2006 to 5 April 2024

If a member has had one or more [BCEs](#), these events must be reflected when calculating their available [LSA](#) and [LSDBA](#). The standard transitional calculations are:

- the available LSA is reduced by 25 per cent of [LTA](#) previously used
- the available LSDBA is reduced by the appropriate percentage which is:
 - 100 per cent of the LTA used in respect of: [SIHLS](#) paid under age 75 and relevant [lump sum death benefits](#)
 - otherwise, 25 per cent of the LTA previously used.

If a member has taken less than 25 per cent of their LTA as tax-free lump sums previously, they may wish to apply for a transitional tax-free amount certificate. The certificate will set out the total of the relevant sums the member was entitled to before 6 April 2024. See [Transitional tax-free amount certificates](#) for more information.

Pre-commencement pensions in payment before 6 April 2006

A pre-commencement pension is a pension that was in payment before 6 April 2006.

Members with pensions in payment before 6 April 2006 will also have a reduction to the standard [LSA](#) and [LSDBA](#). The standard transitional calculation reduces the LSA and LSDBA by 25 per cent of the [capital value](#).

- capital value = P × 25

Where P is the annual pension at the date of the [RBCE](#) (not at 5 April 2006).

If a member with a pre-commencement pension has also had a [BCE](#) (between 6 April 2006 and 5 April 2024), you will not use the calculation above. The member will have had a 'deemed BCE' and should have received a BCE statement from the pension scheme in which their first BCE after 5 April 2006 occurred. The statement

had to be sent within three months of the actual BCE which triggered it. It should detail the amount of [LTA](#) that was deemed used up by the pre-commencement pension.

See [PTM164400](#) and [PTM088300](#) for more information about pre-commencement pensions and deemed BCE s.

7. Transitional tax-free amount certificates (TTFAC)

Summary

A transitional tax-free amount certificate (TTFAC) accurately reflects the relevant tax-free lump sums paid to an individual before 6 April 2024.

Most members should not need to apply for a TTFAC as applying the standard transitional calculation will accurately reflect any tax-free lump sums taken by the member at a BCE.

Members, or their personal representatives if they have died, may wish to apply for a TTFAC if they have taken less than 25 per cent of their LTA as tax-free lump sums.

Members can apply to any pension scheme they are a member of for a TTFAC. HMRC has stated individuals may wish to apply to the scheme they crystallised the majority of their pension before 6 April 2024 with, or to the scheme paying the first [RBCE](#) after 5 April 2024.

A member cannot apply for a TTFAC if they have already had an RBCE nor can they make an application to a scheme they are not yet a member of.

Members who have a [pre-commencement pension](#) only cannot apply for a TTFAC. Members who have a pre-commencement pension and had a [BCE](#) (between 6 April 2006 and 5 April 2024) can apply for a TTFAC.

When you receive an application from a member, you must either issue a TTFAC or provide a notice of refusal within three months of receiving the application.

If a member holds a TTFAC, do you have to apply it?

Yes. If the member holds a TTFAC, you must adjust the member's [LSA](#) and [LSDBA](#) using the amounts shown on the TTFAC. The [standard transitional calculation](#) does not apply. This is the case even if the member would be worse off using the TTFAC.

Is a member legally required to notify you if they hold a TTFAC?

There is nothing in legislation requiring individuals to provide you with information about their TTFAC at an [RBCE](#). However, you must be able to establish the member's available allowances before you can pay a [relevant lump sum](#).

Which members should consider applying for a TTFAC?

Members, or their personal representatives if they have died, may wish to apply for a TTFAC if:

- they have taken less than 25 per cent of their [LTA](#) as tax-free lump sums, and
- the amount of tax-free lump sum(s) they can take is likely to be limited by the [LSA](#) and/or [LSDBA](#).

HMRC guidance states that applications should only be made where the applicant can provide [complete evidence](#) that, before 6 April 2024, the member received a lower amount as tax-free lump sums than that provided for by the [standard transitional calculation](#).

Other members who may wish to consider an application:

Members who reached age 75 but did not take their pension

Under the [LTA](#) regime, values crystallised at [BCE 5](#) and [5B](#) were disregarded when determining a member's available LTA for the purpose of [paying a PCLS](#). From the 6 April 2024, the [standard transitional calculation](#) will reduce a member's [LSA](#) and [LSDBA](#) by 25 per cent of the LTA crystallised at a [BCE 5](#) and [5B](#), despite the member not having taken payment of their benefits.

HMRC is considering changing the legislation to resolve this issue. Meanwhile, members can apply for a TTFAC to make sure the values crystallised at [BCE 5](#) and [5B](#) are not deducted from their available [LSA](#) and [LSDBA](#).

Members who have taken a QROPS before 6 April 2024

Under the [LTA](#) regime when a member transferred their benefits to a [QROPS](#) it was a [BCE 8](#) and the transfer used up LTA. From 6 April 2024, the standard transitional calculation will reduce a member's [LSA](#) and [LSDBA](#) by 25 per cent of the LTA crystallised by the [BCE 8](#), despite the individual not having taken payment of their benefits. The individual's overseas transfer allowance ([OTA](#)) will also be reduced by 100 per cent of the LTA used.

Members can apply for a TTFAC to make sure a pre-6 April 2024 QROPS transfer is not deducted from their available LSA and LSDBA. The TTFAC will accurately reflect the relevant lump sums paid and will show no deduction from the LSA and LSDBA for the BCE 8.

QROPS paid from the 6 April 2024 only use up the individuals OTA.

Members who received a SIHLS before 6 April 2024

Where a member under age 75 has received a [SIHLS](#) before 6 April 2024, the standard transitional calculation requires that the:

- [LSA](#) is reduced by 25 per cent of the LTA used by the SIHLS
- [LSDBA](#) is reduced by 100 per cent of the LTA used by the SIHLS.

Members who have received a SIHLS may wish to apply for a TTFAC to ensure 25 per cent of the SIHLS is not deducted from their LSA.

You are required to deduct 100 per cent of a SIHLS (paid under age 75) from the LSDBA, irrespective of whether a member has a TTFAC.

Who should not apply for a TTFAC?

Members should not apply for a TTFAC where they believe this might result in lower available allowances than under the standard transitional calculation.

This is because the legislation does not allow individuals to apply for a TTFAC to compare the results under each process. If a TTFAC is granted to a member, it must be used. The TTFAC sets out their new available allowances and puts them in the correct tax position. There is no opportunity to revert to the standard calculation once a TTFAC has been granted.

Members may not always be better off with a TTFAC, even where they have taken less than 25 per cent of their benefits tax free. This could happen where a [BCE](#) took place when the [LTA](#) was higher than the [LSDBA](#).

Members should be sure applying for a TTFAC is right for them and seek independent financial advice if they are unsure.

Does a TTFAC need to be issued before the first RBCE?

Yes. A TTFAC must be applied for and issued before the first [RBCE](#).

Where an application for a TTFAC is made before the first RBCE, the RBCE cannot take place until the TTFAC has been issued.

An application may only be made once. You will need to make sure members are aware of this. Particularly those member's whose first RBCE takes place shortly after 5 April 2024. The RBCE cannot take place until you have all the necessary documentation to pay the benefits, including a TTFAC.

Who can apply for a TTFAC?

A member, or their personal representatives if they have died, may apply to you or any pension scheme they were a member of. They cannot apply:

- if they are not yet a member of the LGPS, even if they are about to join the LGPS and transfer pension savings to you
- to an annuity provider, applications must be to a registered pension scheme
- if they only have a [pre-commencement pension](#) in payment.

What is complete and accurate evidence?

The application must be accompanied by complete and accurate evidence supporting the payment of the total amount of tax-free lump sums the member has taken at a [BCEs](#). Complete evidence forms part of the member's application.

The onus is on members to provide complete and accurate evidence and constitutes part of the application.

The legislation does not prescribe exactly what constitutes complete and accurate evidence because this would overly restrict what you can and cannot accept. Evidence will need to be considered on a case-by-case basis. HMRC have indicated appropriate evidence would be financial records, BCE statements or bank statements.

HMRC indicate applicants will need to provide evidence of their total [LTA](#) percentage used and evidence of pension benefits not taken as lump sums. Without this information it will not be possible for you to determine how much of the member's LTA previously used amount was taken as tax free lump sums, and to certify these amounts on the member's certificate. We have raised a query with HMRC to clarify what information a member should supply as their appears to be a difference between what is set out in the Finance Act 2024 and HMRC LTA newsletters. We will update this guide with the outcome.

What should a TTFAC contain?

If you are satisfied the member has provided complete and accurate evidence, you must issue a TTFAC certifying you are satisfied with the member's transitional tax-free amounts.

The TTFAC must include:

- the member's name, address and national insurance number
- the percentage of [LTA](#) used up by the member
- the amount you are satisfied is the member's [lump sum transitional tax-free amount](#)
- the amount you satisfied is the member's [lump sum and death benefit transitional tax-free amount](#)
- a statement certifying you are satisfied the two transitional tax-free amounts are correct.

Lump sum transitional tax-free amount

This is the total of the following amounts the individual was entitled to before 6 April 2024. The amounts are only included if they were not subject to income tax:

- [PCLS](#)
- [UFPLS](#)
- [SAL](#)
- [25 per cent of the LTA used at a deemed BCE](#)

Lump sum and death benefit transitional tax-free amount

This is the total of the following amounts that the individual was entitled to before 6 April 2024. The amounts are only included if they were not subject to income tax:

- [PCLS](#)
- [UFPLS](#)
- [SAL](#)
- [25 per cent of the LTA used at a deemed BCE](#)
- [SIHLS](#)
- [a relevant lump sum death benefit.](#)

A relevant lump sum death benefit does not include a lump sum death benefit paid in respect of rights that were crystallised before 6 April 2024. These lump sums do not reduce a member's [LSDBA](#).

When should you issue a TTFAC?

You must issue a TTFAC within three months of receiving the application.

You can also request further evidence from the applicant within this three-month window. Requesting further information does not restart the three-month window. This still starts when you receive the initial application.

Failure to issue a TTFAC is subject to penalty under section 98 of the Taxes Management Act 1970.

What form should the TTFAC take?

You can determine the form of the TTFAC. It can also be incorporated into another document given to the applicant.

Can you cancel a TTFAC?

Yes. If at any time it appears either of the two transitional tax-free amounts are not accurate, you must cancel the certificate by giving notice of the cancellation to the member or if the member is deceased their personal representatives.

HMRC is considering if there should be a requirement to notify them so they can determine if there is further tax due.

How are benefits already paid impacted where a TTFAC is cancelled?

Where a TTFAC is revoked, past RBCEs will continue to be reduced by the transitional tax-free amounts. Question 33 in HMRC [newsletter 158](#) states that any past RBCEs will continue to be reduced by the transitional tax-free amounts. However, it then states this “does not mean the erroneous amounts stated on the individual’s certificate which have been the cause of its cancellation”. Question 34 confirms HMRC are considering whose responsibility it will be to recalculate past RBCEs. We are unclear as to what the answers to questions 33 and 34 mean in practice and await further guidance.

Future RBCEs will be subject to the standard transitional calculation because there is no longer a certificate in force – ie 25 per cent of the used up LTA already shown on the TTFAC.

Can a member apply more than once?

Yes. Where an initial application is refused, there is nothing in legislation to prevent members making more than one application. However, if no further evidence is provided, you may notify the member the application is refused. You do not need to reconsider the same evidence or wait three months to respond.

8. Paying a PCLS

This section looks at how the new lump sum allowances impact on the payment of a pension commencement lump sum (PLCS). A PLCS is the tax-free lump sum a member is entitled to take when they start taking their pension.

When to assess a PLCS

A PCLS is assessed at the [RBCE](#). An RBCE can only take place after 5 April 2024.

The RBCE is the date the member has an actual entitlement to their benefits. Actual entitlement only arises when you have all the information and completed forms needed to make payment.

Example 1: the RBCE date

A member aged 58 is dismissed on the grounds of redundancy on 31 December 2024. They return their completed election forms on 31 May 2025.

The RBCE will be 31 May 2025 at the earliest, if you have everything else you need to pay the benefits. Otherwise, it will be a later date when you have all the necessary documentation.

Once you have established the date of the RBCE you must test the PCLS against the member's available [LSA](#) and [LSDBA](#) on this date.

Lump sums are calculated in accordance with [Secretary of State guidance](#) / [Scottish Ministers guidance](#). If a member has an AVC fund and they are taking some or all of it as tax free cash, it should be added to the main scheme lump sum on a £1 for £1 basis. Interest for late payment is not included.

If the member has more than one RBCE on the same day, they must decide which RBCE is first and inform both scheme administrators. This works in the same way as under the [LTA](#) regime if more than one [BCE](#) took place on the same day.

The maximum PCLS

From 6 April 2024, a PCLS can only be paid if a member has both available [LSA](#) and [LSDBA](#):

The maximum PCLS is the lowest of:

- 25 per cent of the capital value the member is crystallising
- their available LSA immediately before the member becomes entitled to the lump sum
- their available LSDBA immediately before the member becomes entitled to the lump sum.

For most LGPS members the maximum PCLS will still be 25 per cent of the capital value of the benefits they are crystallising with you.

Timing conditions for payment of a PCLS

Timing conditions for payment of a PCLS remain as follows:

- it must be paid within an 18-month period starting six months before and ending 12 months after the member becomes entitled to it – this is the date of the [RBCE](#). Entitlement occurs on the day the member has an actual entitlement - actual entitlement only arises when you have all the information completed forms needed to make payment
- the member must have reached [normal minimum pension age](#) (NPA) - or in some cases a lower protected pension age unless entitlement has arisen because the member meets the ill-health condition in which case it can be paid before NPA.

The requirement for the PCLS to be paid in connection with a relevant pension also remains.

Testing the PCLS against the available LSA and LSDBA

If a member elects to take a PCLS when they take their LGPS pension benefits, you will need to check it fits within their available [LSA](#) and [LSDBA](#).

Example 2: PLCS - no previous benefits paid

The member has an RBCE on 31 May 2025. They elect to take payment of their LGPS pension and a PCLS of £20,000.

They have not taken payment of any pension benefits previously.

Immediately before the RBCE their available LSA is £268,275 and available LSDBA is £1,073,100.

Following the RBCE their available lump sum allowances are:

- LSA: £268,275 - £20,000 = £248,275
- LSDBA: £1,073,100 - £20,000 = £1,053,100

Example 3: PCLS - previous benefits paid after 5 April 2024

The member has an RBCE in the LGPS on 31 March 2027. They elect to take payment of their LGPS pension and a PCLS of £80,000.

They have previously taken payment of benefits from other schemes:

- a £450,000 SIHLS (under age 75) – RBCE date 31 October 2026
- a £50,00 tax free element of an UFPLS – RBCE date 31 May 2025

Immediately before the RBCE the available allowances are:

- LSA: £268,275 - £50,000 = £218,275
- LSDBA: £1,073,100 - £450,000 - £50,000 = £573,100

Following the RBCE the available allowances are:

- LSA: £268,275 - £50,000 - £80,000 = £138,275
- LSDBA: £1,073,100 - £450,000 - £50,000 - £80,000 = £493,100

Example 4: PCLS - pre-commencement pension in payment

The member has a RBCE on 31 March 2027. They elect to take payment of their LGPS pension and a PCLS of £27,000.

They have not had any previous RBCEs or BCEs. They are they in receipt of a [pre-commencement pension](#). The value of the pre-commencement pension at the RBCE date is £25,000 a year.

Immediately before the RBCE their available allowances are:

- LSA: £268,275 - ((£25,000 × 25) × 0.25) = £112,025
- LSDBA: £1,073,100 - ((£25,000 × 25) × 0.25) = £916,850

Following the RBCE the available allowances are:

- LSA: £112,025 - £27,000 = £85,025

- LSDBA: £916,850 - £27,000 = £889,850

Example 5: PCLS - previous BCE with standard transitional calculation

The member has a RBCE on 31 July 2024. They elect to take payment of their LGPS pension and a PCLS of £55,000.

They had a BCE on 1 December 2022 – this used 50 per cent of their LTA. They do not hold a [TTFAC](#).

Immediately before the RBCE their available allowances are:

- LSA: £268,275 - ((£1,073,100 × 0.5) × 0.25) = £134,137
- LSDBA: £1,073,100 - ((£1,073,100 × 0.5) × 0.25) = £938,963

Following the RBCE the available allowances are:

- LSA: £134,137 - £55,000 = £79,137
- LSDBA: £938,963 - £55,000 = £883,963

Example 6: PCLS - previous BCE with TTFAC

The member has a RBCE on 31 July 2024. They elect to take payment of their LGPS pension and a PCLS of £55,000.

They had a BCE on 1 December 2022 that used up 80 per cent of their LTA.

The member has a [TTFAC](#) stating their:

- LSA transitional tax-free amount is £150,000
- LSDBA transitional tax-free amount is £400,000

The member must use their TTFAC. Immediately before the RBCE their available allowances are:

- LSA: £268,275 - £150,000 = £118,275
- LSDBA: £1,073,100 - £400,000 = £673,100

Following the RBCE the available allowances are:

- LSA: £118,275 - £55,000 = £63,275
- LSDBA: £673,100 - £55,000 = £618,100

Example 7: PCLS - previous RBCE and BCE with TTFAC

The member has an RBCE on 31 October 2026. They elect to take payment of their LGPS pension and a PCLS of £55,000.

They had a previous RBCE on 30 April 2024 when they were paid a PCLS of £57,000.

On 1 December 2022 they had a BCE using up 80 per cent of their LTA.

A [TTFAC](#) was issued before the first RBCE on 30 April 2024. It states:

- LSA transitional tax-free amount = £131,275
- LSDBA transitional tax-free amount = £900,000

The member must use the TTFAC. Immediately before the RBCE on 31 October 2026 their available allowances are:

- LSA: £268,275 - (£131,275 + £57,000) = £80,000
- LSDBA: £1,073,100 - (£900,000 + £57,000) = £116,100

Following the RBCE the available allowances are:

- LSA: £80,000 - £55,000 = £25,000
- LSDBA: £116,100 - £55,000 = £61,100

Example 8: PCLS & PCELS - 100% of LTA used – standard transitional calculation

The member has a RBCE on 31 July 2024. They elect to take their LGPS pension and a PCLS of £20,000.

They had a BCE on 31 March 2021 which used up 100 per cent of their LTA. They do not hold a TTFAC.

- LSA available is £0
- LSDBA available is £0.

The member must take the £20,000 lump sum as a [PCELS](#) – this is subject to income tax at the member's marginal rate.

Example 9: PLCS - 100% of the LTA used with TTFAC

The member has a RBCE on 31 July 2024. They elect to take their LGPS pension and a PLCS of £20,000.

They had a BCE on 31 March 2021 which used up 100 per cent of their LTA. They hold a [TTFAC](#) stating that both the LSA and LSDBA transitional tax-free amounts are £0. This is because their LTA was used up by a transfer to a [QROPS](#), the member did not receive a tax-free lump sum.

The member must use the TTFAC. Immediately before the RBCE their available allowances are:

- LSA: £268,275 - £0 = £268,275
- LSDBA: £1,073,100 - £0 = £1,073,100

Following the RBCE the available allowances are:

- LSA: £268,275 - £20,000 = £248,275
- LSDBA: £1,073,100 - £20,000 = £1,053,100.

Example 10: PCLS & PCELS - previous BCE 5 with standard transitional calculation

Member has an RBCE on 30 April 2024. They elect to take their LGPS pension and a PLCS of £180,000.

On 15 March 2023 they had a BCE5 as they reached age 75 but had not taken payment of their benefits. This used up 50 per cent of their LTA.

The member does not hold a [TTFAC](#). Immediately before the RBCE their available allowances are:

- LSA: £268,275 - ((£1,073,100 × 0.5) × 0.25) = £134,137
- LSDBA: £1,073,100 - ((£1,073,100 × 0.5) × 0.25) = £938,963

The lump sum they elected to take at the RBCE is more than their available LSA by £45,863:

- £180,000 – £134,137 = £45,863

They can only take £134,137 as a PCLS. Assuming DLUHC/SPPA allow the payment of [PCELS](#), the remaining £45,863 will be a PCELS and will be subject to tax at their marginal rate.

Following the RBCE the available allowances are:

- LSA: £134,137 - £134,137 = £0
- LSDBA: £938,963 - £180,000 = £758,963

In this example, both the LSA and LSDBA is reduced because of the BCE 5 even though the member had not been paid a tax-free lump sum. The next example shows the impact of a TTFAC.

Example 11: PLCS – previous BCE 5 with TTFAC

The member from the previous example holds a TTFAC stating that:

- LSA transitional tax-free amount is £0
- LSDBA transitional tax-free amount is £0

The member must use their TTFAC. Immediately before the RBCE their available allowances are:

- LSA: £268,275
- LSDBA: £1,073,100

Following the RBCE the available allowances are:

- LSA: £268,275 - £180,000 = £88,275
- LSDBA: £1,073,100 - £180,000 = £893,100.

The member's LSA and LSDBA was not reduced by the BCE 5 because they hold a TTFAC. The certificate confirmed they had not received payment of a tax-free lump sum before the RBCE.

Example 12: PCLS – previous SIHLS standard transitional calculation

Member has an RBCE on 30 April 2024. They elect to take their LGPS pension and a PCLS of £150,000.

On 15 March 2023 they were paid a [SIHLS](#) from another pension scheme when they were under age 75. This used up 50 per cent of their LTA.

The member does not hold a [TTFAC](#). Immediately before the RBCE their available allowances are:

- LSA: £268,275 - ((£1,073,100 × 0.5) × 0.25) = £134,137
- LSDBA: £1,073,100 - (£1,073,100 × 0.5) = £536,550

The lump sum they elect to take at the RBCE is more than their available LSA by £15,863:

- £150,000 – £134,137 = £15,863

They can only take £134,137 as a PCLS. Assuming DLUHC/SPPA allow the payment of [PCELS](#), the remaining £15,863 will be a PCELS and will be subject to tax at their marginal rate.

Following the RBCE the available allowances are:

- LSA: £134,137 - £134,137 = £0
- LSDBA: £536,550 - £134,137 = £402,413

In this example, the LSA is reduced by 25 per cent of the SIHLS and the LSDBA is reduced by 100 per cent of the SIHLS. The next example shows the impact of a TTFAC.

Example 13: PCLS – previous SIHLS with TTFAC

The member from the previous example holds a [TTFAC](#) stating that:

- LSA transitional tax-free amount is £0
- LSDBA transitional tax-free amount is £536,550

The member must use their TTFAC. Immediately before the RBCE their available allowances are:

- LSA: £268,275
- LSDBA: £536,550

Following the RBCE the available allowances are:

- LSA: £268,275 - £150,000 = £118,275
- LSDBA: £536,550 - £150,000 = £386,550.

The member's LSA was not reduced by the [SIHLS](#) at the RBCE because they hold a TTFAC.

Example 14: PLCS - member worse off with TTFAC

The member has an RBCE on 31 July 2024. They elect to take payment of their LGPS pension and PCLS of £50,000.

They had a BCE on 31 December 2010 which used up 78 per cent of their LTA. When the member crystallised these benefits, they were able to take a PCLS of £300,000 because the LTA was £1,800,000.

The member does not hold a [TTFAC](#).

Immediately before the RBCE their available allowances are:

- LSA: £268,275 - ((£1,073,100 × 0.78) × 0.25) = £59,021
- LSDBA: £1,073,100 - ((£1,073,100 × 0.78) × 0.25) = £863,846

Following the RBCE the available allowances are:

- LSA: £59,021 - £50,000 = £9,021
- LSDBA: £863,846 - £50,000 = £813,846

If the member had applied for a TTFAC, their available LSA would be £0. This is because the certificate would detail the actual PCLS paid of £300,000, which is higher than the current LSA. In this scenario the member has a greater LSA without the TTFAC, despite previously taking less than 25 per cent of their benefits as a PCLS.

9. Members with LTA protections / enhancement factors

This section contains limited information about [LTA](#) protections. More information will be available once HMRC publish their revised [Pensions Tax Manual \(PTM\)](#).

Each time the LTA was reduced, members were able to apply to HMRC for an LTA protection. Although the LTA is abolished from 6 April 2024, these protections may still be of use as they may entitle members to an increased [LSA](#) and [LSDBA](#) based on their protected LTA.

A valid LTA protection does not allow members to take [PCLS](#) of more than 25 per cent of the [capital value](#) of the benefits they are crystallising.

[Primary Protection](#), [Enhanced Protection](#), [Fixed Protection 2012](#), [Fixed Protection 2014](#) and [Individual Protection 2014](#) are closed for new applications. [Fixed Protection 2016](#) and [Individual Protection 2016](#) are open for new applications until 5 April 2025.

Members who plan to rely on their LTA protections at an [RBCE](#) are responsible for providing you with their HMRC protection number. As best practice, you should check if a member at risk of exceeding the LSA and / or LSDBA, has any LTA protections. You must validate the member's LTA protection by either obtaining a copy of the protection certificate or by using the [scheme administrator lookup service](#) before adjusting the LSA and LSDBA.

Employers can apply an automatic enrolment exception, where they have reasonable grounds to believe the worker has an LTA protection. This was

introduced because new pension build up could cause some types of LTA protection to be lost.

LTA enhancement factors give individuals a higher lifetime allowance by working as a multiplier of the standard lifetime allowance. Members might obtain an enhancement factor where an overseas transfer is received into the LGPS or a pension credit is applied. See [PTM095500](#) for more information. LTA enhancement factors increase a member's available LSA and LSDBA. A member can hold LTA protections and LTA enhancement factors.

Example 15: Fixed protection 2012

The member's LTA was fixed at £1,800,000 - Fixed Protection 2012 was introduced in 2012 when the standard LTA reduced from £1.8 million to £1.5 million.

At the RBCE, the standard LSA and LSDBA is adjusted.

The member's available LSA is £450,000 as calculated as $£1,800,000 \times 0.25 = £450,000$

The member's available LSDBA is £1,800,000 – this is simply the value of the protected LTA.

10. Paying a PCELS

A Pension Commencement Excess Lump Sum (PCELS) is introduced on 6 April 2024. It replaces the [Lifetime Allowance Excess Lump Sum \(LTAELS\)](#).

A PCELS is an authorised payment in excess of a member's [LSA](#) and [LSDBA](#). It is subject to tax at the member's marginal rate.

Conditions for payment

A PCELS can only be paid if:

- the member becomes entitled to it in connection with becoming entitled to a relevant pension
- it is paid when none of the member's [LSA](#) and [LSDBA](#) is available
- it is paid within the period beginning six months before, and ending one year after, the day on which the member becomes entitled to it

- it does not reduce the rate of payment of any pension to which the member has become entitled, or extinguish the member's entitlement to payment of any such pension
- it is paid when the member has reached [NMPA](#) or the ill-health condition is met
- it is not an excluded lump sum.

A PCELS cannot be paid if another authorised lump sum can be paid. If the individual could be paid an UFPLS they cannot be paid a PCELS.

Payment of a PCELS is not an [RBCE](#).

A PCELS cannot be derived from any commutation from pension to lump sum of the member's formerly contracted out benefit (regulations 18 and 25 [The OPS \(Schemes that were Contracted-out\)\(No 2\) Regulations 2015](#)). Contracted out benefits are:

- Guaranteed Minimum Pension
- Section 9(2B) rights

In the LGPS, a PCELS can only represent:

- the member's 3/80th lump sum
- if the member is commuting pension to lump sum benefits built up:
 - above the member's GMP before 6 April 1997
 - after 5 April 2016.

PCELS in the LGPS

The LGPS Regulations provide that a member can only take benefits in excess of the [LTA](#) in accordance with GAD guidance. GAD guidance allows for excess benefits to be taken as a [LTAELS](#), subject to contracting out restrictions.

It will not be compulsory for pension schemes to offer the PCELS. Where they wish to, paragraph 132 of Schedule 9 of the [Finance Act 2024](#) provides a transitional provision allowing references to the LTAELS to be read as PCELS in scheme rules. We have asked DLUHC for clarification about what this means for the LGPS.

We have also asked DLUHC/SPPA to confirm if they will allow members to take a lump sum in excess of their available [LSA](#) and [LSDBA](#) as a PCELS.

[HMRC's LTA guidance newsletter – December 2023](#) confirms it is not the Government's intention to expand pension freedoms as a result of abolishing the LTA. It states the legislation broadly seeks to maintain the current treatment of

limiting a [PCLS](#) to the lower of 25 per cent of the benefits crystallising, or so much of the LSA and LSDBA available at the [RBCE](#).

For this reason, the examples below assume a PCELS is only permitted in the LGPS where it fits within 25 per cent of the capital value of the benefits being crystallised.

Example 16: PCELS - no LSA or LSDBA available

The member takes payment of their LGPS pension on 30 April 2027. Their pension is £15,000 per year with no automatic lump sum.

The member has no LTA protections. They used up all their available LSA and LSDBA at a previous RBCE.

The capital value of the member's benefits is £300,000:

- $20 \times £15,000 = £300,000$

The member commutes £5,000 of annual pension to provide a lump sum of £60,000 as calculated below:

- $12 \times £5,000 = £60,000$

After commutation, the capital value of the member's benefits is £260,000 as calculated below:

- $£60,000 + (20 \times £10,000) = £260,000$

The lump sum of £60,000 is less than 25 per cent of the capital value of the member's benefits. However, because the member has no available LSA and LSDBA the lump sum must be paid as a PCELS and taxed at marginal rate.

The member's marginal rate of income tax is 40 per cent so the value of the PCELS after the tax deduction is £36,000 as calculated below:

- $£60,000 - (£60,000 \times 0.4 = £24,000) = £36,000$

The PCELS must be paid and reported through [PAYE payroll reporting](#).

11. Paying an UFPLS (Scotland only)

A UFPLS is a payment made from uncrystallised funds held in a money purchase arrangement. Generally, 25 per cent of the UFPLS is paid tax free. It is only available to members of the LGPS in Scotland who have paid additional voluntary contributions.

The maximum UFPLS that can be paid tax-free is the lowest of:

- 25 per cent of the UFPLS
- the member's available [LSA](#)
- the member's available [LSDBA](#).

12. Paying a TCLS

A member's pension benefits, subject to conditions, can be commuted to a one-off authorised lump sum. Where the relevant conditions are met, the payment is called a trivial commutation lump sum (TCLS).

A TCLS does not count towards a member's [LSA](#) and [LSDBA](#). However, the member must have all or part of their LSA available to be paid a TCLS.

From the 6 April 2024, the method for valuing crystallised benefits for the £30,000 commutation limit has changed. The method for valuing uncrystallised rights remains the same.

All the valuations in the following examples are calculated at the nominated date.

Valuing crystallised rights

The calculation to value a member's crystallised rights against the £30,000 commutation limit is now:

- $((\text{LSA} - \text{available LSA}) \times 4) + \text{tax-free element of } \text{SIHLS}$

Example 17: TCLS - limit exceeded

A member would like to take their £500 annual pension as an uncrystallised TCLS of £11,700 from the LGPS. This is calculated in accordance with [Secretary of State guidance](#) / [Scottish Ministers guidance](#).

They have not received a SIHLS and do not have any LTA protections.

At a previous RBCE, they used up £18,275 of their LSA leaving £250,000 available LSA.

The value of the member's crystallised rights is £73,100 as calculated below:

- $(£268,275 - £250,000 = £18,275) \times 4 = £73,100$

The value of the member's uncrystallised rights is £10,000 as calculated below:

- $£500 \times 20 = £10,000$

The total value of member's rights is £83,100. This exceeds the trivial commutation limit of £30,000 so the member cannot take an uncrystallised TCLS of £11,700 from the LGPS.

Example 18: TCLS - benefits within limit

A member would like to take their £500 annual pension as an uncrystallised TCLS of £11,700 from the LGPS. This is calculated in accordance with [Secretary of State guidance](#) / [Scottish Ministers guidance](#).

They have not received a [SIHLS](#) and do not have any LTA protections.

They had a previous RBCE which used up £4,000 of their LSA leaving £264,275 available LSA on the nominated date.

The value of the member's crystallised rights is £16,000 as calculated below:

- $(£268,275 - £264,275 = £4,000) \times 4 = £16,000$

The value of the member's uncrystallised rights is £10,000 as calculated below:

- $£500 \times 20 = £10,000$

The total value of member's rights is £26,000. £26,000 is less than the trivial commutation limit of £30,000 so the member can take an uncrystallised TCLS from the LGPS.

Example 19: TCLS - valuing benefits where SIHLS paid previously

A member would like to take their £500 annual pension as an uncrystallised TCLS of £11,700 from the LGPS. This is calculated in accordance with [Secretary of State guidance](#) / [Scottish Ministers guidance](#).

The member does not have any LTA protections.

They had an RBCE in July 2024 when they received a SIHLS of £5,000. As the SIHLS was paid under the age of 75, it was tax-free.

They had another RBCE in September 2024 which used up £2,275 of their LSA leaving £266,000 available LSA.

Their available LSA on the nominated date is $£268,275 - £2,275 = £266,000$.

The value of the member's crystallised rights are:

- $((£268,275 - £266,000) \times 4) + £5,000 = £14,100$
-

The value of the member's uncrystallised rights is £10,000 as calculated below:

- $£500 \times 20 = £10,000$

The total value of member's rights is £24,100. £24,100 is less than the trivial commutation limit of £30,000 so the member can take an uncrystallised TCLS from the LGPS.

13. Paying a small pot payment

A member's pension benefits, subject to conditions, can be commuted to a one-off authorised lump sum. Where the payment is less than £10,000 and the relevant conditions are met, the payment is called a de minimis small pot payment. Payments are paid under [the Registered Pension Schemes \(Authorised Payments\) Regulations 2009](#).

A de minimis small pot payment does not count towards a member's LSA or LSDBA.

A member can take a small pot payment without having any available [LSA](#) and [LSDBA](#).

14. Paying a SIHLS

If an individual is certified as having a life expectancy of less than one year, provided certain conditions are met, a serious ill health lump sum (SIHLS) can be paid.

In England and Wales, a SIHLS is only payable in respect of members who left the scheme before 1 April 2008.

In Scotland, a SIHLS is only payable in respect of members who left the scheme before 1 April 2015.

At an [RBCE](#), the tax-free element of a SIHLS does not use up the member's available [LSA](#), but does use up the member's available [LSDBA](#).

At an RBCE, if the member is aged:

- less than 75 and they have available LSDBA, they can be paid a tax-free SIHLS from the LGPS up to their available LSDBA. Any excess above their available LSDBA is taxed at the member's marginal rate.
- 75 or more the SIHLS is taxed at the member's marginal rate.

15. Paying a QROPS transfer

Where a member transfers their pension savings overseas this must be to a scheme registered by HMRC as a QROPS. If the receiving scheme is not a QROPS, the transferring pension scheme may refuse to pay the transfer, or if they do pay the transfer a tax charge of at least 40 per cent may be due.

From 6 April 2024, a new overseas transfer allowance (OTA) is introduced. A member's initial OTA is their available LSDBA (£1,073,100 unless the member holds a valid LTA protection). Transferring to a QROPS will not reduce a member's [LSA](#) and [LSDBA](#).

Members must have available OTA to transfer their pension benefits to a QROPS. Each time a member transfers to a QROPS, they will use up available OTA. Before paying a transfer to a QROPS you must check if any transfers to a QROPS have already taken place.

Before 6 April 2024, an [overseas transfer charge](#) (OTC) occurred if none of the [exclusions](#) applied.

From 6 April 2024, transfers to QROPS that do not meet any of the exclusions continue to be subject to an overseas transfer charge of 25 per cent of the cash equivalent transfer value (CETV).

If the member also exceeds their available OTA, only a single overseas transfer charge of 25 per cent of the CETV applies.

If one of the exclusions is met and the member exceeds their available OTA, they are subject to a single OTC of 25 per cent of the excess over the OTA.

Before 6 April 2024, if the amount transferred to a QROPS was more than the member's available LTA and none of the exclusions were met, the member would have been subject to an LTA and an OTC charge.

Exclusions

- the member and the receiving scheme are in the same country
- the receiving scheme is within a European Economic Area (EEA) state or Gibraltar and the member is a resident in the UK or an EEA state

- the receiving scheme is an occupational pension scheme
- the receiving scheme was set up by an international organisation
- the receiving scheme is an overseas public service pension scheme.

OTC and reporting

Where an overseas transfer charge is due, you should continue to deduct the charge before paying the transfer, and then [report and pay this using the AFT process](#).

Transitional arrangements

Where members have had a [BCE](#), their available OTA is reduced by an amount equal to 100 per cent of their used-up [LTA](#) at 6 April 2024.

This means individuals can make tax free transfers to QROPS up to the same value as they could have expected to benefit from under the LTA. An OTC will apply to any excess.

16. Paying lump sum death benefits

Before 6 April 2024

The payment of a defined benefit lump sum death benefit (DBLSDB) was a [BCE](#) 7 and used up [LTA](#), unless it was paid:

- outside the two-year period, or
- in respect of a member aged 75 or older when they died.

In these circumstances it was not a BCE under the LTA regime and did not trigger a test against the LTA. The DBLSDB was then:

- taxed as the income of the person receiving it, or
- subject to the special lump sum death benefits charge, if paid to a non-qualifying person.

From 6 April 2024

A DBLSDB is always an RBCE, but it only reduces the [LSDBA](#) if it is paid tax free.

The tax treatment of DBLSDB remains broadly the same, except it is now tested against the LSDBA instead of the [LTA](#).

An [RBCE](#) statement must be provided to the deceased member's personal representative. The personal representative remains responsible for calculating and reporting any tax due in respect of the LSDBA.

A DBLSDB is not tested against the LSDBA if the member crystallised their benefits before 6 April 2024 – for example, where a member took payment of their pension before 6 April 2024 and dies after that date. These lump sums do not reduce a member's LSDBA.

Death under age 75 - paid within two-year period

A DBLSDB from the LGPS is tax-free if it is paid:

- in respect of a person who dies under age 75, and
- the lump sum(s) is paid within the relevant two-year period.

This is unless the DBLSDB exceeds the deceased member's available [LSDBA](#). In this case, the excess is taxed at the beneficiary's marginal rate.

Any DBLSDB paid within the LSDBA will reduce the amount available for future [RBCEs](#).

Death under age 75 – not paid within the two-year period

A DBLSDB paid after the two-year period in respect of a person who dies under age 75 is taxed:

- as the beneficiaries income, or
- subject to the special lump sum death benefits charge, if paid to a non-qualifying person (usually the personal representatives).

The LGPS regulations in England and Wales require any death grant paid after the two-year period is paid to the personal representatives. This means it will always be subject to the special lump sum death benefits charge.

The DBLSDB that is subject to tax does not reduce the [LSDBA](#).

Death age 75 or older

A DBLSDB paid in respect of a member who dies age 75 or older is taxed:

- as the beneficiaries income, or
- subject to the special lump sum death benefits charge, if paid to a non-qualifying person (usually the personal representatives).

See [PTM073010](#) for more information covering the tax on lump sum death benefits.

Non-qualifying person

A non-qualifying person is usually the personal representatives, though the definition also includes a trustee, a director of a company, a partner in a firm or a member of a limited liability partnership. It is not an individual.

A non-qualifying person does not include a person to whom any lump sum death benefits are paid if the payment is made to the person in their capacity as a bare trustee. A bare trustee is a person acting as a trustee.

17. Issuing RBCE statements

At an RBCE

When an [RBCE](#) occurs, you must provide the member or the personal representative with a statement – even if the payment is a fully taxable lump sum using up no allowances. There is no provision under regulation 14 of [the Registered Pension Schemes \(Provision of Information\) Regulations 2006](#) to withhold a statement where the amount of a member's allowances used is nil.

The statement must contain the monetary value of used up [LSA](#) and [LSDBA](#) – not the available amounts. This enables the member to calculate their remaining allowances and accurately complete any tax return. If the LSA and LSDBA is the same you may report just one figure. However, the statement or accompanying information must make clear there are two allowances and the member is receiving one figure because the amount used up of each allowance is the same.

If the statement is in respect of a transfer to a [QROPS](#) the statement must include:

- how much of the member's [OTA](#) has been used by that transfer.
- if the transfer is taxable, the transferred value of the transfer and the [OTC](#) has been deducted
- if there is no OTA, the reason why and, where applicable, the section under the Finance Act as to which it is excluded.

Annual

Following an [RBCE](#) members should receive an annual statement containing the used up monetary value of LSA and LSDBA. This includes members over age 75 – because unlike under the [LTA](#) regime from 6 April 2024 there is no test at age 75 against the new allowances. If the LSA and LSDBA is the same you may report just

one figure. However, the statement or accompanying information must make clear there are two allowances and the member is receiving one figure because the amount used up of each allowance is the same.

HMRC are considering what an annual statement should show where the member has a transitional tax free amount certificate.

Members should also receive an annual statement from you if they:

- were receiving an annual [BCE](#) statement before 6 April 2024 but containing the used up monetary value of LSA and LSDBA.
- had received an annual BCE statement but these stopped because the member turned 75, containing the used up monetary value of LSA and LSDBA .

You will need to convert the percentage of used up LTA into used up LSA and LSDBA – using the standard transitional calculation of 25 per cent of used up LTA, unless the member has supplied you with a transitional tax free amount certificate.

There is a transitional provision for members who received a BCE statement and are not receiving pension income but have uncrystallised rights in the LGPS on 5 April 2024. You must provide them with a BCE statement before 6 April 2025. Our understanding is this applies where you are not currently providing an annual BCE statement. For example:

- members with suspended tier three ill health pensions
- members who have had a test against the LTA at age 75 but have not yet taken their benefits – even though they should have but payment has been delayed
- members who transferred to a [QROPS](#) leaving their guaranteed minimum pension in the LGPS.

We are clarifying this with HMRC and will update the guide in due course.

18. Paying tax on lump sums and reporting

General

Where tax is due on a lump sum it is deducted:

- at the member's marginal rate
- the beneficiary's marginal rate in the case of a lump sum death benefit exceeding the member's [LSDBA](#) – it is for the personal representatives to assess for tax, report and pay any tax due to HMRC – you should continue to report the lump sum death benefit on the real time information (RTI) as tax free

- the special lump sum death benefits charge of 45 per cent in the case of a lump sum death benefit - you are liable for the deducting the tax charge from the payment and reporting of this to HMRC using the accounting for tax return procedure, see [PTM162000](#) for more information.

Other than the special lump sum death benefits charge, all taxable lump sums must be paid and reported through PAYE payroll reporting. Unlike the LTA charge which used the accounting for tax (AFT) return. See HMRC [employer guide to PAYE and National Insurance contributions](#) for more information.

PCELS - tax and reporting

All of a [PCELS](#) is taxable. Tax deducted must be reported and paid using PAYE payroll reporting.

Example 20: PCLS & PCEL payable

Member is paid a [PCLS](#) and a PCELS.

You will need to pay the PCLS tax free.

You will need to process the PCELS through the payroll as a taxable payment.

HMRC indicated in its [December 2023 lifetime allowance guidance newsletter](#) you should continue to follow the guidance in its [March 2023 lifetime allowance guidance newsletter](#).

The guidance states the PCELS is treated as pension income and taxed under PAYE. Where the member:

- has a P45 dated in the same tax year in which the PCELS is being paid - use the tax code on the P45 on a Month 1 basis
- does not have a P45 dated in the same tax year - use the emergency tax code on a Month 1 basis.

You should then issue a P45 to the member because the PCELS is a one-off payment. We have queried with HMRC why we would issue a P45 where the member is also receiving a pension in payment. We will update this guide with the outcome.

HMRC [employer guide to PAYE and National Insurance contributions](#) will be updated for the 2024/25 tax year to include PCELS guidance - so once it has been updated you should follow that guidance.

Where the emergency tax code is used on a month 1 basis, members may have paid too much tax. They can submit [form P53Z](#) to claim a refund of overpaid tax. Otherwise, HMRC will review the member's tax position at the end of the tax year and will notify them if tax has been overpaid or underpaid.

Events removed from the list of reportable events

From 6 April 2024, the following events are removed from the list of reportable events:

- event 2 - payments exceeding 50 per cent of standard [LTA](#)
- event 6 - [BCEs](#) and non-standard LTAs
- event 7 – [PCLS](#) of over 25 per cent of rights crystallised or more than 7.5 per cent of the standard LTA
- event 8 - PCLS: primary and enhanced protection provisions of schedule 36
- event 8a - [SAL](#)

New event 24

From 6 April 2024 new event 24 is added to the list of reportable events.

Event 24 reporting occurs following an [RBCE](#) where:

- either the [LSA](#) or [LSDBA](#) is exceeded
- either the LSA or LSDBA would be exceeded but the member is relying on a form of protection.

Event 24 is also used to communicate to HMRC the marginal tax rate paid on the excess and the presence of any valid protection.

A [PCELS](#) and de minimis small pot payments are not reportable under Event 24 as they are not an RBCE. The payment of a PCELS will need to be reported under RTI as the full amount is taxed as pension income. Small pot payments will continue to be reported under RTI, as per current processes.

SIHLS - reporting

When paying a [SIHLS](#) to a member under age 75 that exceeds the member's available LSDBA, the excess is taxable.

When paying a SIHLS to a member aged over 75, all of the SIHLS is taxable.

You must report a SIHLS paid to a member to HMRC on Event 24, if it exceeds the member's [LSDBA](#), even if fully taxable because it is an [RBCE](#).

You must pay the tax deducted through PAYE payroll reporting. Both the taxable and non-taxable parts of the payment must be reported. See HMRC [employer guide to PAYE and National Insurance contributions](#) for more information.

QROPS – reporting a transfer

The existing process remains. Where an overseas transfer charge is due, you should continue to deduct the charge before paying the transfer, and then report and pay this using the AFT process.

Forms will be amended so you are able to report the transfer subject to the [OTC](#) and to also include details of the member's available [OTA](#) on making the transfer.

19. Communications

In general, you will need to review all letters, forms, factsheets, employer guides, member guides and website pages to make sure all references to the [LTA](#) and associated terminology are updated to reflect the new regime.

You may also want to contact members who hold a valid LTA protection, or who may wish to apply for a LTA protection. This is to make sure they are aware of the changes and how they will be impacted.

You will need to make sure:

- all communications are updated to remove references to the LTA and add information about the [LSA and LSDBA](#)
- information about the changes is included in estimates for payment of benefits from 6 April 2024
- members who had a [BCE 5 / 5B](#) and whose benefits were not brought into payment before that date may wish to apply for a [TTFAC](#)
- members who had a BCE 8 and may wish to apply for a TTFAC.
- you notify your employers so the impacts can be factored into any retirement discussions.

20. Changes to key processes

This section highlights all the key processes that will need to change:

- retirement processes need to change to make sure information is collected about previous benefits that have already been paid to be able to calculate the member's available [LSA and LSDBA](#) – we have created a '[Previous pension benefits declaration form](#)' for you to use for this purpose
- death processes need to change to make sure information is collected about tax-free lump sums that have already been paid to be able to calculate the deceased member's available LSDBA
- processes need to be introduced for assessing evidence and issuing [TTFACs](#)
- processes need to be introduced for issuing [RBCE statements](#) to members or their personal representatives, setting out the amount of LSA and LSDBA that has been used up by an RBCE
- processes need adjusting to account for the removal of [BCEs](#), in particular BCE 5
- processes will need extending to issue RBCE statements to members over age 75
- PAYE payroll processes need to be updated to make sure lump sums are correctly taxed and reported from 6 April 2024.

21. Other resources

To follow once published by HMRC.

22. Glossary

Benefit Crystallisation Event (BCE)

A BCE was an event before 6 April 2024 when you had to check if the pension benefits arising at that point exceeded a member's available [LTA](#).

The following table sets out the before and after position. Also see [PTM088100](#) for more information.

BCEs in force before 6 April 2024	BCEs in force from 6 April 2024 for the purpose of the annual allowance	Description	Applies to LGPS
BCE 1	Yes	Where funds are designated to provide a member with a drawdown pension.	No

BCEs in force before 6 April 2024	BCEs in force from 6 April 2024 for the purpose of the annual allowance	Description	Applies to LGPS
BCE 2	Yes	When a pension (including deferred benefits) come into payment on retirement. Including where an additional voluntary contribution (AVC) annuity or an AVC top up LGPS pension, comes into payment.	Yes
BCE 3	Yes	When a pension in payment increases by more than the permitted maximum. The permitted maximum is the higher of 5 per cent or the retail price index.	Yes
BCE 4	Yes	Where a member uses their AVC fund to purchase a lifetime annuity.	Yes
BCE 5	No	Where a member reaches age 75 and has not taken their benefits from the scheme.	Yes
BCE 5A	No	Where a member reaches age 75 with a drawdown pension fund/flexi-access drawdown fund.	No
BCE 5B	No	Where a member reaches age 75 with remaining unused funds in a money purchase arrangement.	Yes
BCE 5C	No	Where a member dies before age 75 and any uncrystallised funds are designated to provide dependants'/nominees' flexi-access drawdown pension.	No
BCE 5D	No	Where a member dies before age 75 and any uncrystallised funds are used	No

BCEs in force before 6 April 2024	BCEs in force from 6 April 2024 for the purpose of the annual allowance	Description	Applies to LGPS
		to buy a dependants' nominees' annuity	
BCE 6	Yes	When a lump sum retirement grant is paid, including a lump sum from AVC. When benefits are commuted due to serious ill health.	Yes
BCE 7	No	When a lump sum death grant is paid, including the value of any AVC fund paid on death or life insurance , as a result of an active member paying AVCs.	Yes
BCE 8	No	Where a member transfers their benefits to a QROPS.	Yes
BCE 9	No	Certain payments prescribed in regulations: <ul style="list-style-type: none"> • payments of arrears of pension after death • excessive PCLS based on pension errors • PCLS type lump sums paid after death. 	Yes

Capital Value

The capital value of a member's pension benefits is how much they are worth.

This is generally calculated by multiplying the annual pension by a standard factor of 20 and adding the lump sum (capital value = $(P \times 20) + LS$).

However, for a [pre-commencement pension](#) the capital value = $P \times 25$.

Enhanced Protection

Exempts the holder from paying [LTA](#) charges.

See [HMRC March 2024 LTA newsletter](#) for more information about enhanced protection.

Fixed Protection 2012

Fixed the [LTA](#) for the holder at £1.8 million.

See [PTM093000](#) for more information.

Fixed Protection 2014

Fixed the [LTA](#) for the holder at £1.5 million.

See [PTM093000](#) for more information.

Fixed Protection 2016

Fixed the [LTA](#) for the holder at £1.25 million. Previously, fixed protection 2016 was lost if the value of holder's pension benefits increased beyond the 'relevant percentage' for a tax year. In the LGPS this was the consumer price index rate from the previous September. This meant holders who wanted to retain fixed protection 2016 could not continue to build up benefits after 5 April 2016.

From 6 April 2023, those who registered for fixed protection 2016 by 15 March 2023 could resume contributions to a pension arrangement after 5 April 2023, without losing their protection. Those who register for fixed protection 2016 after 15 March 2023, will lose their protection if their benefits increase beyond the 'relevant percentage'. Subject to certain restrictions individuals can submit applications for fixed protection 2016 up to 5 April 2025. These can be submitted online on the [HMRC website](#).

See [PTM093000](#) for more information.

Individual Protection 2014

For individuals with pension savings over £1.25 million, fixed protection 2014 fixed the [LTA](#) for the holder at a relevant amount but no more than £1.5 million. This means the LTA can range from £1.25 million to £1.5 million.

See [PTM094000](#) for more information.

Individual Protection 2016

For individuals with pension savings over £1 million fixed the [LTA](#) for the holder at a relevant amount but no more than £1.25 million. This means the LTA can range from £1 million to £1.25 million. The member can continue to contribute to their pension scheme to build up further benefits without losing this protection. If the holder's protected LTA at retirement is lower than £1,073,100, the pension commencement lump sum limit of £268,275 would apply.

Subject to certain restrictions individuals can submit applications for individual protection 2016 up to 5 April 2025. These can be submitted online on the [HMRC website](#).

See [PTM094000](#) for more information.

Lifetime Allowance (LTA)

The LTA was the limit on the amount of savings that an individual can build up in all their pension arrangements without incurring a tax charge before 6 April 2024.

See [PTM080000](#) for more information.

Lifetime Allowance Excess Lump Sum (LTAELS)

The LTAELS is a lump sum paid to members where they exceeded the [LTA](#). It was abolished on 5 April 2024, though it can be paid after 5 April 2024 where the [BCE](#) took place before 6 April 2024.

See [PTM084000](#) for more information.

Normal Minimum Pension Age (NMPA)

NMPA is age 55 unless the member is a protected member.

See [PTM020000](#) for more information.

Primary Protection

Protects individuals who had pension savings of over £1.5 million on 5 April 2006. Individuals gained an [LTA](#) greater than the standard LTA by applying an enhancement factor.

See [PTM092000](#) for more information.

Stand-alone lump sum (SAL)

A lump sum paid to a member who, on 5 April 2006, had a right to take all their scheme benefits as a tax-free lump sum. Stand-alone lump sums are not payable from the LGPS. See [PTM063130](#) for more information.

23. Disclaimer and copyright

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