

LGPS administrator guide to:

Abolition of the LTA

Index

1.	About this guide	2
2.	The legislation	2
3.	Changes in brief	2
4.	Background to tax changes	3
5.	From 6 April 2024	4
6.	Availability of the LSA and LSDBA.....	6
7.	Transitional tax-free amount certificates (TTFAC).....	8
8.	Paying a PCLS	15
9.	Members with LTA protections / enhancement factors.....	23
10.	Paying a PCELS	24
11.	Paying an UFPLS (Scotland only).....	28
12.	Paying a TCLS	28
13.	Paying a small pot payment.....	31
14.	Paying a SIHLS	31
15.	Paying a QROPS transfer.....	32
16.	Paying lump sum death benefits	33
17.	Issuing RBCE statements	36
18.	Paying tax on lump sums and reporting	38
19.	Communications	40
20.	Changes to key processes.....	41
21.	Other resources	41
22.	Glossary	42
23.	Disclaimer and copyright.....	45

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 [BCE](#) statements – you report the LSA and LSDBA used a monetary value
- 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 Event (BCE) occurred. In the LGPS, [BCEs](#) 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 [BCEs](#) 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 sums.

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 ie where annual allowance legislation refers to including benefits at a BCE in the closing balance calculation.

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 do 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 \(SALS\)](#).

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

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

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

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](#)
- an [uncrystallised funds pension lump sum](#)
- a [stand-alone lump sum \(SALS\)](#)
- a [serious ill health lump sum](#) (under 75)
- a relevant [lump sum death benefit](#).

It is only the tax-free elements of UFPLSs and SALSs 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 with inflation.

Relevant Benefits Crystallisation Events (RBCE)

Relevant lump sums 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.

An 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.

If a member fails to provide the information, HMRC's [Pensions Tax Manual \(PTM\)](#) states that you must assume the individual has no lump sum allowances available.

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](#) reduce 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. Lump sums are assessed on the date the member has an actual entitlement - 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 = $P \times 25$

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

However, you will not use this calculation if a member with a pre-commencement pension has also had a BCE or RBCE.

Previous BCE

If the member had a BCE (between 6 April 2006 and 5 April 2024), they will have had a 'deemed BCE' in respect of their pre-commencement pension. They 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, or yearly if an ongoing pension was payable. It should detail the amount of [LTA](#) that was deemed used up by the pre-commencement pension.

Previous RBCE

If the member has not had a BCE but has had an [RBCE](#) (from 6 April 2024), they will have had a 'deemed RBCE' in respect of their pre-commencement pension. They should have received an RBCE statement from the pension scheme in which their first RBCE after 5 April 2024 occurred. The statement had to be sent within three months of the actual RBCE which triggered it, or yearly if an ongoing pension was payable. It should detail the monetary amount of LSA and LSDBA used up by the pre-commencement pension.

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

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. You can only refuse an application if a member provides insufficient evidence.

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?

The Government is bringing forward legislation to require individuals to notify all pensions schemes they hold benefits with that they are relying on a TTFAC.

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.

Where a SIHLS is paid after 5 April 2024, the RBCE statement will accurately reflect that it only uses up LSDBA.

Members who have used up 100 per cent of their LTA

Section 126 (2) of the Finance Act 2024 provides that where a member has used 100 per cent of their LTA, they have no available LSDBA – see [example 8](#).

These members may wish to apply for a TTFAC if the relevant lump sums they have taken are less than the LSDBA of £1,073,100.

Under the standard transitional calculation, the available LSDBA is reduced by:

- 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.

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 may wish to seek independent financial advice.

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.

Who can apply for a TTFAC?

A member, or their personal representatives if they have died, may apply to any pension scheme they are 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; however, the Government intends to change legislation to allow this
- 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 [BCE](#).

The onus is on members to provide complete and accurate evidence – it forms 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.

Applicants must always provide evidence of the total [LTA](#) percentage used as well as the total of all relevant tax-free lump sums and, if applicable, relevant lump sum death benefits paid before 6 April 2024.

What should a TTFAC contain?

If you are satisfied the member has provided complete and accurate evidence, you must issue a TTFAC containing the following information:

- the member's name, address and national insurance number
- the percentage of the standard [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](#)
- [SALS](#)
- [25 per cent of the LTA used at a deemed BCE](#)

You must also include any PCLSs and UFPLSs paid after age 75.

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

You must also include any PCLSs and UFPLSs paid after age 75.

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 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 refuse an application for a TTFAC?

You can only refuse an application on the grounds of insufficient evidence.

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.

Also, where a TTFAC is cancelled, members can make another application, provided they have not had an RBCE.

Can you cancel a TTFAC?

Yes. If at any time it appears either of the 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?

HMRC guidance is contradictory on this point – we have queried the position with them and will update the guide when we receive clarification.

However, we are clear that where a TTFAC is cancelled, any future RBCEs are subject to the standard transitional calculation as a TTFAC will not be in force.

Where a TTFAC is cancelled, members can make another application, provided they have not had an RBCE.

8. Paying a PCLS

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

When to assess a PCLS

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.
- the member must have reached [normal minimum pension age](#) (NMPA) - 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 NMPA.

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: PCLS - 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 an 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 an 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](#) and they have not been paid a [SIHLS](#).

Immediately before the RBCE their available allowances are:

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

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 an 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 and PCELS - 100% of LTA used – standard transitional calculation

The member has an 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 and have not taken a SIHLS. Immediately before the RBCE their available allowances are:

- LSA: $£268,275 - ((£1,073,100 \times 1.0) \times 0.25) = £0$
- LSDBA: £0.

As the member has used up 100 per cent of their LTA, the legislation states they have no available LSDBA.

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

Note: if this member had used 99 per cent of their LTA, the LSA and LSDBA available immediately before the RBCE would be:

- LSA: $£268,275 - ((£1,073,100 \times 0.99) \times 0.25) = £2,682.75$
- LSDBA: $£1,073,100 - ((£1,073,100 \times 0.99) \times 0.25) = £807,507$

Whilst this does not make a big difference to the amount of PCLS that can be taken, the difference in the available LSDBA is significant. This could have an impact on future RBCEs eg the payment of a death grant. We have queried this

with HMRC as the outcome does not seem equitable. Members who have used 100 per cent of their LTA may wish to apply for a TTFAC.

Example 9: PCLS – 100 per cent of the LTA used with TTFAC

The member has an 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 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 and 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 PCLS 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 - £134,137 = £804,826

In this example, both the LSA and LSDBA are 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: PCLS – 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 confirms they have 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: $£268,275 - ((£1,073,100 \times 0.5) \times 0.25) = £134,137$
- LSDBA: $£1,073,100 - (£1,073,100 \times 0.5) = £536,550$

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: PCLS - 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](#) and has not been paid a [SIHLS](#).

Immediately before the RBCE their available allowances are:

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

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 as this information is covered in [PTM176000](#).

Each time the LTA was reduced, members were able to apply to HMRC for 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 a [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](#) remain 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 a registered pension scheme in the UK, or a pension credit is applied. See [archived 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](#) or [LSDBA](#). It is subject to tax at the member's marginal rate. Payment of a PCELS is not an [RBCE](#).

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](#) or [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 eg when an UFPLS or SIHLS could be paid. A member does not need to have:

- available LSA or LSDBA for an UFPLS to be paid
- available LSDBA for a SIHLS to be paid.

See the [UFPLS section](#) and [SIHLS section](#) for more information.

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 [LTAEELS](#), 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 for the rules of a registered pension scheme which allowed the payment of LTAEELS to have the same effect in relation to a PCELS. 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](#) or [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 or 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 or 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](#).

Example 17: PCELS – commuted lump sum exceeds the available LSA

The member has built up a pension of £100,000 per year in the LGPS.

They have no LTA protections and have not crystallised any benefits previously.

Immediately before the RBCE their available allowances are:

- LSA: £268,275
- LSDBA: £1,073,100

The maximum PCLS is the lowest of:

- 25% of capital value = $((£100,000 \times 120) \div 7) \times 0.25 = £428,571$
- available LSA = £268,275
- available LSDBA = £1,073,100.

Note: the capital value is calculated using the reiterative method.

The lowest of the three values is £268,275.

If we assume that DLUHC / SPPA allow for a PCELS to be paid where it fits within the 25 per cent of the capital value of the benefits being crystallised, the benefits payable are:

- PCLS = £268,275
- PCELS = $(£428,571 - £268,275) = £160,296$
- Annual pension = $(£100,000 - (£428,571 \div 12 = £35,714.25)) = £64,285.75$

The member's marginal rate of income tax is 40 per cent so the value of the PCELS after the tax deduction is £96,178 as calculated below:

- $£160,296 - (£160,296 \times 0.4 = £64,118) = £96,178$

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 an UFPLS is paid tax free; however, because a member does not need to have available lump sum allowances to be paid an UFPLS, it is possible for it to be entirely taxable. If an UFPLS is paid where the member has no available LSA or LSDBA, the whole payment is taxable at their marginal rate.

In the LGPS, an UFPLS can only be paid to members of LGPS 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](#).

Payment of a tax-free UFPLS reduces the available [LSA](#) and [LSDBA](#) for future RBCEs.

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 changed. The method for valuing uncrystallised rights remains the same.

Note: we have queried the new method of valuing crystallised rights with HMRC as it allows members to take a TCLS where payment would not have been permitted before 6 April 2024. HMRC has advised that the new policy is under review. We await further guidance. An example of the different treatment is set out below.

Valuation of crystallised rights before 6 April 2024

On the nominated date, a member is in receipt of a £10,000 annual pension. They did not take a tax-free lump sum at retirement.

Before 6 April 2024, the valuation of the crystallised rights would have been:

$$£10,000 \times 20 = £200,000$$

The crystallised rights exceed the £30,000 commutation limit so the member would not have been allowed to take a TCLS

Valuation of crystallised rights from 6 April 2024

From 6 April 2024, the valuation of the crystallised rights has changed to:

$$(£268,275 - 268,275) \times 4 = 0$$

Now the member is within the £30,000 commutation limit and can take a TCLS.

The information in the rest of this section is greyed out and will be revised when we hear back from HMRC.

Valuing crystallised rights

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

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 18: 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 19: 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 which is less than the trivial commutation limit of £30,000. The member can take an uncrystallised TCLS from the LGPS.

Example 20: 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 which 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](#) or [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](#), a SIHLS is paid tax-free if it is paid under age 75 and the payment fits within the member's available [LSDBA](#). If a SIHLS exceeds the available [LSDBA](#), the excess is taxed at the member's marginal rate.

If a SIHLS is paid from age 75, the whole payment is taxable at the member's marginal rate.

A member does not need to have available [LSDBA](#) to take a SIHLS. Payment of a tax-free SIHLS reduces the [LSDBA](#) for future RBCEs. It does not reduce the [LSA](#).

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, it is treated as an unauthorised payment and the member may be charged at least 40 per cent tax.

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. From 6 April 2024, 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 a 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 the previously used [LTA](#) at 5 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.

The legislation does not currently allow for [pre-commencement pensions](#) to be deducted from the amount of available OTA. The Government has announced that it will bring forward legislation to ensure these pensions reduce the amount of available OTA in the future. It has suggested affected members may wish to defer their overseas transfer requests until the revised legislation is effective.

16. Paying lump sum death benefits

Before 6 April 2024

The payment of a defined benefit lump sum death benefit (DBLSDB) or an uncrystallised funds lump sum death benefit (UFLSDB) 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 / UFLSDB 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.

Note: it is not possible to pay a DBLSDB in the LGPS where the member dies age 75 or older. An UFLSDB can be paid over the age 75 – it is paid in respect of uncrystallised AVCs.

From 6 April 2024

For deaths from 6 April 2024, the payment of a DBLSDB / UFLSDB is always an RBCE provided the benefits have not already been tested against the LTA. Payment only reduces the [LSDBA](#) if it is paid tax free.

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.

Benefits crystallised before 6 April 2024

A DBLSDB / UFLSDB is not an RBCE if the member crystallised their benefits before 6 April 2024. For example, where a member took payment of an LGPS pension on 30 October 2022 and dies on 30 June 2025, payment of the death grant would not be an RBCE because the benefits have already been tested against the LTA.

In these circumstances, the payment of a DBLSDB / UFLSDB will not reduce the deceased member's LSDBA and there is no requirement to inform the personal representatives of the payment.

Tax treatment

The tax treatment of a DBLSDB / UFLSDB remains broadly the same, except it is now tested against the deceased member's LSDBA instead of their LTA.

Death under age 75 - paid within the two-year period

A DBLSDB / UFLSDB 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 / UFLSDB exceeds the deceased member's available [LSDBA](#). In this case, the excess is taxed at the beneficiary's marginal rate. The personal representative is responsible for assessing if the LSDBA has been exceeded, as well as calculating and reporting this tax.

Any DBLSDB / UFLSDB 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 / UFLSDB 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).

You remain responsible for deducting and reporting this tax.

The LGPS regulations in England and Wales require that 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.

If a DBLSDB / UFLSDB is subject to tax, it does not reduce the [LSDBA](#).

Death age 75 or older

An UFLSDB 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).

You remain responsible for deducting and reporting this tax.

Note: it is not possible to pay a DBLSDB where the member dies age 75 or older.

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

Non-qualifying person

A non-qualifying person is usually the personal representative, 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.

Interest for late payment on a death grant

It was agreed at Technical Group in 2010 that interest for late payment of a death grant should be treated as part of the death benefit lump sum, rather than treating it

as a scheme administration member payment (SAMP). HMRC confirmed it was happy with this approach when the LTA regime was introduced in 2006.

This approach means both the lump sum death benefit and interest are tested against the LSDBA. You will need to include any interest paid in the LSDBA used amount when you send the RBCE statement to the personal representative.

17. Issuing RBCE statements

You are required to provide the member, or their personal representative, with an [RBCE](#) statement when an RBCE occurs. You must do this:

- within three months of the RBCE, where there is no right to an ongoing pension eg payment of a death grant, or
- annually where there is a right to an ongoing pension.

In practice, most administering authorities will always include a statement when benefits are paid and annually where there is an ongoing right to a pension.

You must provide a statement even if the payment is fully taxable and uses up no allowance. There is no provision under regulation 14 of [the Registered Pension Schemes \(Provision of Information\) Regulations 2006](#) to withhold a statement in these circumstances.

The statement must contain the monetary value of the [LSA](#) and [LSDBA](#) used up by the RBCE (not the available amounts). This enables the member to calculate their remaining allowances and accurately complete any tax return. They will also use the RBCE statement if they have subsequent RBCEs.

If the LSA and LSDBA are 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.

Overseas transfers

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 the 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.

Annually

Following an [RBCE](#), you should send an RBCE statement every year to members who are paid an annual pension. The annual statement must also be sent to members over age 75. This is because, unlike under the [LTA](#) regime, from 6 April 2024 there is no test at age 75 against the new allowances.

HMRC is considering what an annual statement should show where the member has a TTFAC.

You must also send an annual statement to members who:

- were receiving an annual [BCE](#) statement before 6 April 2024
- had received an annual BCE statement but these stopped because the member turned 75.

For these statements, you will need to convert the percentage of LTA used into a monetary amount of LSA and LSDBA used. You use the standard transitional calculation of 25 per cent of LTA used to do this - unless the member has supplied you with a TTFAC.

You can continue to use P60s to provide this information. If you do, the annual statement must be issued by 31 May following the end of the tax year to which it relates.

Transitional provisions

There is a transitional provision for members who:

- received a BCE statement but are not receiving pension income, and
- have uncrystallised rights in the LGPS on 5 April 2024.

You must provide these members 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
- members who transferred to a [QROPS](#) leaving their guaranteed minimum pension in the LGPS.

18. Paying tax on lump sums and reporting

General

Where tax is due on a lump sum because the LSA or LSDBA have been exceeded it is taxed at the member's marginal rate.

Where tax is due on a DBLSDB or UFLSDB because the LSDBA has been exceeded, the personal representative is responsible for calculating and reporting the tax.

You remain responsible for deducting and reporting tax on a DBLSDB or UFLSDB where it is paid:

- outside of the two-year limit, or
- where the member dies age 75 or older – UFPLS only.

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 (this is different to 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 21: PCLS & PCELS 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's [employer guide to PAYE and National Insurance contributions](#) will be updated for the 2024/25 tax year to include PCELS 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.

SIHLS - reporting

A [SIHLS](#) must be reported on event 24 if it exceeds the individual's LSDBA. This applies even if the payment is fully taxable – this is because it is still a relevant RBCE.

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 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.

New event 24

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

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

- a lump sum (other than a lump sum death benefit) paid exceeds an individual's available [LSA](#) or [LSDBA](#) (or would have done if the individual had not been relying on a protection or enhancement)
- the aggregate of lump sum death benefits paid by the administering authority exceeds the LSDBA limit of £1,073,100.

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

Where the reporting requirement relates to a lump sum death benefit, you do not need to confirm that any tax due has been paid. The tax position will be dealt with by the personal representative.

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

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 - [SALS](#)

19. Communications

You will need to consider:

- Reviewing all letters, forms, factsheets, employer guides, member guides and website pages to make sure all references to the [LTA](#) and associated terminology are replaced with information about the [LSA](#), [LSDBA](#) and [OTA](#).

- Informing members they are entitled to apply for TTFAC before their first RBCE. You should include information about this in your standard quotation letters and provide information about the application process. You may also wish to publicise it via newsletters and on websites.
- Contacting members who hold a valid LTA protection to make sure they are aware of the changes and how they will be impacted.
- Inform members who may wish to apply for an LTA protection of the 5 April 2025 deadline.
- Notify employers of the changes so the impact can be factored into any retirement discussions.

20. Changes to key processes

You will need to:

- Update your retirement process to ensure you collect relevant information about benefits paid previously. You need this information to calculate a member's available [LSA and LSDBA](#).
- Update your overseas transfer process.
- Create a process for assessing evidence and issuing [TTFACs](#).
- Update your yearly BCE statement process to ensure the requirements for issuing [RBCE statements](#) are met. This will include converting LTA percentages on previous BCE statements to LSA and LSDBA used amounts and sending statements to members aged 75 and older.
- Create a process for issuing BCE statements by 5 April 2025 for members covered by the [transitional provisions](#).
- Update your one-off BCE statement process to reflect the changes needed to issue one-off RBCE statements.
- Update your processes to account for the removal of [BCEs](#), in particular BCE 5.
- Update PAYE payroll processes to make sure lump sums are correctly taxed and reported from 6 April 2024.
- Update your reporting requirements, ensuring you take account of new event 24.

21. Other resources

The relevant Pensions Tax Manual (PTM) pages are:

[PTM170001 – LSA and LSDBA](#)

[PTM102200 – the overseas transfer allowance](#)

[Archived PTM containing information about lifetime allowance](#)

[HMRC LTA abolition – FAQs](#)

[HMRC pension schemes newsletters](#)

22. Glossary

Benefit Crystallisation Event (BCE)

A BCE was an event before 6 April 2024 when you tested the value of benefits being taken against a member's available [LTA](#).

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

In force before 6/4/24	Remaining for annual allowance purpose	Description	Applies to LGPS
BCE 1	Yes	Where funds are designated to provide a member with a drawdown pension.	No
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

In force before 6/4/24	Remaining for annual allowance purpose	Description	Applies to LGPS
BCE 5D	No	Where a member dies before age 75 and any uncrystallised funds are used to buy a dependants' nominees' annuity	No
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 valued.

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.

The Government will bring forward legislation to allow individuals with enhanced protection to transfer their savings to a new provider without losing their protection – until amending legislation is in force members with enhanced protection may wish to delay transferring to a new provider.

Fixed Protection 2012

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

Fixed Protection 2014

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

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](#).

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 individual's LTA can range from £1.25 million to £1.5 million.

Individual Protection 2016

For individuals with pension savings over £1 million, individual protection 2016 fixed the [LTA](#) for the holder at a relevant amount but no more than £1.25 million. This means the individual's 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](#).

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 [archived 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.

Normal Minimum Pension Age (NMPA)

NMPA is age 55 unless a 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.

Relevant Benefit Crystallisation Event (RBCE)

An RBCE takes place when a relevant lump sum is paid.

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.

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

Stand-alone lump sum (SALS)

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. SALSs are not payable from the LGPS.

See [PTM063130](#) for more information.

23. Disclaimer and copyright

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