# A black and white logo  AI-generated content may be incorrect.Transitional Tax-Free Amount Certificate (TTFAC) Notes

These notes will help you decide if a TTFAC is right for you and complete the TTFAC application form should you choose to apply.

## What is a TTFAC?

Two lump sum allowances were introduced from 6 April 2024. If the total of all lump sums you take from UK pensions is more than one of these allowances, you will have to pay extra tax. Tax on any excess is charged at your marginal rate.

If you took payment of a pension or lump sum before 6 April 2024, you will have used up part of your lump sum allowances. Under HMRC’s rules, pension schemes must assume that you took the maximum lump sum allowed, unless you hold a transitional tax-free amount certificate (TTFAC). The maximum amount is usually 25 per cent of the value of the pension benefits you are taking.

A TTFAC sets out the total tax-free lump sums you received – this allows pension schemes to accurately work out how much of the lump sum allowances you have used, rather than assuming you have used the maximum amount.

## Am I eligible to apply for a TTFAC?

You can only apply for a TTFAC if all the below apply:

* you took payment of pension benefits, or reached age 75, between 6 April 2006 and 5 April 2024
* you have not taken a pension lump sum since 5 April 2024
* you can provide complete evidence that you took less than 25 per cent of the benefits paid to you before 6 April 2024 as tax-free lump sums.

## Should I apply for a TTFAC?

For most members, a TTFAC will have no effect on the lump sum they can take from the LGPS. The allowances will generally only affect members who have built up very large pensions. You may wish to apply for a TTFAC if all the below apply:

* you have taken pension benefits between 6 April 2006 and 6 April 2024
* you were paid less than 25 per cent of their value as tax-free lump sums
* the total value of tax-free lump sums you are likely to take will be limited by the lump sum limits set by Government.

You may also wish to apply for a TTFAC if any of the below applies to you:

* you were paid a serious ill health lump sum before 6 April 2024
* you transferred pension benefits to a qualified registered overseas pension scheme before 6 April 2024
* you have used up 100 per cent of your lifetime allowance (LTA).

You should consider carefully whether applying for a TTFAC is right for you. Some members will be worse off with a TTFAC, even where they have taken less than the maximum lump sum. This could happen if your benefits were paid to you when the lifetime allowance was higher than the Lump Sum and Death Benefit Allowance (LSDBA) limit of £1,073,100. If you are unsure, you should consider taking specialist independent financial advice. **Once a TTFAC is issued it must be used and cannot be revoked, even if it puts you in a worse financial position**.

## Who can apply for a TTFAC?

Pension scheme members, or their personal representative if they have died, can apply for a TTFAC. HMRC recommends that you apply to the pension scheme you took most pension benefits before 6 April 2024 with, or the pension scheme first paying you benefits after 5 April 2024. You can only make one application, and you cannot apply to a pension scheme you are not yet a member of.

## When should I apply?

If you feel that a TTFAC is right for you, you must make an application before you receive your first pension lump sum after 5 April 2024. If you’re due to be paid a lump sum from another pension scheme, you should delay payment until your certificate has been issued. Personal representatives must apply by 31 October in the tax year following the year in which the lump sum death benefit was paid.

## If I have a TTFAC, do I have to use it?

Yes. Once a TTFAC is issued, it must be used even if it puts you in a worse financial position. It is not possible to revoke it. You must provide a copy to all the pension schemes you hold pension benefits with within 90 days of its issue, or before you take a pension lump sum, if earlier. You may be subject to a fine from HMRC if you do not comply with this requirement.

## What information do I need to provide?

You must use the TTFAC application form to tell us about all the pension benefits you took payment of before 6 April 2024.

**Pension provider** – the name of the pension scheme that paid the pension benefits to you. If this is the Local Government Pension Scheme, please include the pension fund name eg Hampshire pension fund.

**Tax-free lump sum** – tell us about lump sums that were paid tax-free between 6 April 2006 and 5 April 2024 in table A.

**Type of lump sum** – tell us what type of lump sum was paid to you:

* **pension commencement lump sums (PCLS)** – a tax-free lump sum you take when you start taking a pension – this is sometimes referred to as a retirement grant.
* **uncrystallised funds pension lump sums (UFPLS)** –a type of lump sum paid from a defined contribution scheme. Only tell us about the 25 per cent tax-free part of the lump sum in this section.
* **Serious ill health lump sums (SIHLS)** – a lump sum paid where your life expectancy is expected to be less than one year. A SIHLS is tax-free if it is paid before age 75.
* **Stand-alone lump sums** – a special type of lump sum paid to individuals who, on 5 April 2006, had the right to have all their pension scheme benefits paid as a tax-free lump sum. These are not common and are not payable from the LGPS.

**Pensions** – if you are receiving an ongoing pension, please tick to confirm this. We do not need to know the value of any pensions paid to you – this is included in the LTA percentage for this purpose.

**Lifetime allowance % (LTA)** – when you were paid pensions benefits before 6 April 2024, you will have used up LTA. The LTA limited the total amount of pension benefits a person could have before they paid extra tax. It has now been replaced by the new lump sum allowances. You must tell us the LTA percentage each of the benefits you took before 6 April 2024 used up. The pension scheme that pays/paid these benefits to you will have notified you of this.

**Pensions first paid before 6 April 2006** – complete table B to tell us about these. The LTA amount used will have been calculated by the first pension provider that paid you benefits after 5 April 2006. Ask that provider for this information and the Benefit Crystallisation Event (BCE) date, if you don’t already have it. We do not need to know about any lump sums paid before 6 April 2006.

**Benefit Crystallisation Event** **(BCE)** – you only need to provide this for pensions first paid before 6 April 2006. Because the LTA did not exist before 6 April 2006, the BCE date is the date you first accessed pension benefits after 5 April 2006.

**Transfers to overseas pension schemes** – complete table C to tell us about these. If you transferred a pension to a Qualifying Recognised Overseas Pension Scheme (QROPS) before 6 April 2024, you would have used up LTA.

## What evidence do I need to provide?

You must provide written evidence for each pension benefit paid to you. This should include the LTA percentage used for each pension benefit and any tax-free lump sum paid. You will also need to provide written evidence for any overseas transfers including the LTA percentage used and transfer amount. Evidence can be a letter from the pension provider, a BCE certificate, a benefit/transfer letter or another form of evidence that clearly states the type of benefit, relevant amounts and date paid.