

## Pre Budget Report - Lifetime Allowance

24 November 2008

In amongst the politicking, a note on the HMRC website announces that the Lifetime Allowance and the Annual Allowance will be frozen for 5 years until 2016.

### PENSION SCHEMES: THE LIFETIME ALLOWANCE AND ANNUAL ALLOWANCE FROM 6 APRIL 2011

Who is likely to be affected?

1. Pension scheme members who take pension and lump sum benefits on or after 6 April 2011 valued at more than £1.8 million and who do not have existing transitional protection.
2. Pension scheme members contributing more than £255,000 into a registered pension scheme on or after 6 April 2011.

General description of the measure

3. Tax-relieved saving in a registered pension scheme for an individual is subject to an overall limit called the lifetime allowance (LTA). This was set at £1.5 million when it was introduced in April 2006 and will rise to £1.8 million in 2010-11. The annual contributions limit on which tax relief can be claimed is called the annual allowance (AA). This was set at £215,000 when it was introduced in April 2006 and will rise to £255,000 in 2010-11.

4. As a result of this measure, the 2010-11 LTA of £1.8 million and the AA of £255,000 will continue to apply, with their rates held constant, for a further five tax years, i.e. up to and including the tax year 2015-16.

Operative date

5. The measure will have effect on and after 6 April 2011.

Current law and proposed revisions

6. The LTA and the AA for tax years 2006-07 to 2010-11 are set out in a Treasury Order, SI 2007/494 (The Registered Pension Schemes (Standard Lifetime and Annual Allowances) Order 2007).

7. A further Treasury Order will be issued to set the rate for 2011-12 to 2015-16 at £1.8 million.

8. There are a number of limits set by reference to the LTA, for example the commutation limit for small amounts of pension rights. These limits will also remain constant between 2011-12 and 2015-16 unless indicated otherwise in a separate announcement.