

Transitional Protection – Update  
5/12/2005

From 6 April 2006 (A-Day) anyone with pension funds exceeding the Lifetime Limit of £1.5million could face a tax charge of up to 55% of the excess fund. Transitional protection will be available, but it is not automatic and you must apply within three years of A-Day. The right to register for transitional protection will end on 5 April 2009. But you could lose the right to apply for protection if you take the wrong steps at any time after 6 April 2006.

There are two different types of transitional protection: Primary Protection, which is only available to those with pension funds worth more than £1.5m on 5 April 2006, and Enhanced Protection. Enhanced Protection is available to people who have pension funds above the Lifetime Limit of £1.5 million on A-Day who want to protect themselves against tax on fund growth greater than the increase in the Lifetime Limit. It is also available to those with funds below £1.5million who are concerned that their fund growth could take them over the Lifetime Limit.

Anyone opting for this method of protection cannot make further contributions into their pension from April 6 2006 without losing protection. So, those people considering protection for their funds will need to make a decision by A-Day (even though they have until 2009 to register for protection).

If you wish us to carry out a full Transitional Protection Check, we will need full details of any pension benefits which you hold. We will also require your written authority to approach the administrators of any pension schemes of which you are a member in order that we may clarify any queries which we might have. Obtaining the necessary details could take some time, so you need to act quickly if you want to find out whether you should cease building up pensions in April.