

Taking lump sum payments when you exceed the standard Lump Sum Allowances or you have Lifetime Allowance protection

Lifetime Allowance (LTA) (abolished from 6 April 2024)

There was a limit to the total amount of pension benefits that could be drawn before you incur a tax charge.

This limit was known as the standard Lifetime Allowance (LTA) and applied to the total of all of your pension benefits including any existing entitlement you have to defined benefit schemes, but excluding the State Pension.

In the main, when a pension benefit entitlement was taken between 6 April 2006 and 5 April 2024, a Benefit Crystallisation Event (BCE) occurred and the amount taken was tested against the LTA applicable at that time.

The standard LTA was £1,073,100 from 6 April 2020 to 5 April 2024.

This LTA has now been replaced with two new allowances: The Lump Sum Allowance (LSA) and Lump Sum and Death Benefit Allowance (LSDBA). The standard LSA is set to 25% of the previous LTA and the standard LSDBA is the same as the previous LTA. The LSA and LSDBA could be higher for you if you have protections in place.

From 6 April 2024, when certain lump sums are taken (see list below) a Relevant Benefit Crystallisation Event (RBCE) occurs and reduces these lump sum allowances.

Lump Sum Allowance (LSA) (applies from 6 April 2024)

This is a limit on the amount of tax-free lump sums that can be taken from pension schemes. The standard LSA is £268,275.

A tax-free lump sum is:

- any tax-free lump sums you have already taken (including tax-free cash)
- the tax-free part of any UFPLS (lump sum benefits)
- any deemed tax-free lump sums taken before 6 April 2024; and
- any tax-free cash that you are about to take

Where the amount exceeds this allowance, income tax may be payable on the excess.

Lump Sum and Death Benefit Allowance (LSDBA) (applies from 6 April 2024)

This is a limit on the amount of lump sum death benefits and serious ill health lump sums that can be paid without tax. The standard LSDBA is £1,073,100.

The following will reduce the LSDBA allowance:

- any tax-free lump sums you have already taken (including tax-free cash)
- the tax-free part of any UFPLS (lump sum benefits)
- any deemed tax-free lump sums taken before 6 April 2024
- any tax-free cash that you are about to take
- a Serious Ill Health Lump Sum (i.e. a tax-free sum that can be paid from your pension if you've a life expectancy of less than one year).

The following are all lump sum death benefits which, when paid, use up your LSDBA:

- Defined benefits lump sum death benefit
- Uncrystallised funds lump sum death benefit
- Pension protection lump sum death benefit
- Annuity protection lump sum death benefit
- Drawdown/Flexi-Access Pension lump sum death benefit

Where the amount exceeds this allowance, income tax may be payable on the excess.

Overseas Transfer Allowance (OTA) (applies from 6 April 2024)

The OTA is a new allowance introduced by HMRC on 6 April 2024 which applies when transfers are made to a Qualifying Recognised Overseas Pensions Scheme (QROPS). The initial amount is £1,073,100 unless you have valid Lifetime Allowance (LTA) protection in which case it could be higher. Any benefits you've taken (referred to as benefit crystallisation events (BCEs)) between 6 April 2006 and 5 April 2024 that used up part of your LTA will reduce your OTA.:

Examples include:

- an uncrystallised funds pension lump sum (UFPLS)
- an annuity
- funds designated for drawdown pension purposes
- a Serious Ill Health Lump Sum
- a QROPS transfer

In addition, any QROPS transfers made on or after 6 April 2024 will also reduce your OTA.

Whenever you make a transfer to a QROPS, we must check that the transfer value falls within your OTA, if the value exceeds your OTA, a tax charge will apply on the excess.

Further details about these new allowances can be found on pru.co.uk/tax

Pension Protections

Details of the various Pension Protections are shown below:

Protection Type	Description
Enhanced & Primary Protection	These were introduced from 6 April 2006 to protect individuals against the LTA charge where they had built up pension pots of more than £1.5m or, in the case of Enhanced Protection individuals who expected to build up pension pots in excess of this. Individuals had to apply to HMRC prior to 5 April 2009 to qualify for either of these protections.
Fixed Protection	This was introduced in April 2012 when the LTA reduced from £1.8m to £1.5m. It enables individuals to maintain a LTA of £1.8m. Anyone who applied for this would only become liable for a LTA charge on the pension benefits that exceeded this value. Applications had to be made to HMRC by 5 April 2012.
Fixed Protection 2014	This was introduced in April 2014 when the LTA reduced from £1.5m to £1.25m. It enabled individuals to maintain a LTA of £1.5m. Anyone who applied for this would only become liable for a LTA charge on the pension benefits that exceeded this value. Applications had to be made to HMRC by 5 April 2014.
Individual Protection 2014	This was introduced in April 2014 and gave individuals a protected LTA equal to the value of all of their pension benefits as at 5 April 2014, subject to an overall maximum of £1.5m. Applications had to be made to HMRC by 5 April 2014.
Fixed Protection 2016	This was introduced in April 2016 when the LTA reduced from £1.25m to £1m. It enabled individuals to maintain a LTA of £1.25m. Anyone who applied for this would only become liable for a LTA charge on the pension benefits that exceeded this value. The deadline for applications to HMRC is 5 April 2025.
Individual Protection 2016	This was introduced in April 2016 and gave individuals a protected LTA equal to the value of all of their pension benefits as at 5 April 2016, subject to an overall maximum of £1.25m. The deadline for applications to HMRC is 5 April 2025.

There is more information on Fixed Protection 2016 and Individual Protection 2016 and how to apply on the HMRC website: [gov.uk/guidance/pension-schemes – protect-your-lifetime-allowance](https://gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance)

Whilst the LTA has now been abolished the protections above are still relevant for the purposes of calculating the tax-free cash rights and the taxation of certain lump sum payments. Where one of the forms of protection mentioned in the table apply, the LSA/LSDBA will be higher. For example someone with Fixed Protection will have a LSA of £450,000 instead of the standard allowance of £268,275. Similarly the LSDBA would be £1,800,000 rather than the standard allowance of £1,073,100.

For people with a protected pension age (PPA) earlier than 50, their Lump Sum Allowances may be less than the standard LSA/LSDBA.

pru.co.uk

"Prudential" is a trading name of The Prudential Assurance Company Limited which is registered in England and Wales. Registered Office at 10 Fenchurch Avenue, London EC3M 5AG. Registered number 15454. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Lump Sum Allowances Questionnaire

Please use black ink and write in CAPITAL LETTERS or tick as appropriate. Any corrections must be initialled. Please do not use correction fluid as this will invalidate your form.

HMRC requires us to report to them regarding pensions where the Lump Sum Allowance is affected. Even where the Lump Sum Allowance has not been exceeded it might be necessary to report information to HMRC e.g. with Enhanced Protection. Where relevant, the information requested in this form will enable us to meet this requirement.

Including area code.

About this form

You should complete this form if you are taking benefits that include a tax-free element of an UFPLS or a PCLS (tax-free cash) or you are transferring your benefits from your pension plan to a QROPS and:

- You may be over the Lump Sum Allowances.
- You're unsure if you're over the Lump Sum Allowances.
- You've primary, enhanced, fixed or individual protection.
- You've received a Serious Ill Health Lump Sum (i.e. a tax-free sum that can be paid from your pension if you've a life expectancy of less than one year).
- You've a protected retirement age that allows you to take benefits prior to age 50.

About this form

For a copy of our latest Data Protection Notice, please visit pru.co.uk/mydata. This details how and why we use your personal information (including any sensitive personal information), who we may share it with and your rights around your personal information. Alternatively, you can request a copy to be sent to you by writing to The Data Protection Officer, Customer Service Centre, Lancing BN15 8GB.

Please note that we collect personal information from you that is necessary for us to either provide you with the product or service you've requested or to comply with statutory or contractual requirements. Unfortunately if you don't provide all of the information we require this may mean we are unable to provide our products and services to you.

Important notes

- In this form 'taking benefits' includes transferring to a QROPS.
- This form provides the information needed to meet HMRC rules, so must be fully and correctly completed. Anyone making a fraudulent or negligent claim in respect of entitlement to any form of protection may become liable to a significant penalty.
- The information needed is comprehensive, covering all your private pensions. You may want to get advice from your financial adviser. You may be charged for this advice.
- You should keep a copy of this form as it may be useful if you are taking further benefits at a later date.

Information we need from you

Your Name

Your policy or scheme number

Phone number

National Insurance (NI) number

If you are using this form in relation to making a transfer to a QROPS, go to step 7.

Do you have any other pensions (elsewhere and/or with Prudential)?

Yes No

Are you already getting a pension income from any previous employer's scheme or other pensions (elsewhere and/or with Prudential)?

Yes No

If you answered **No** to both of these questions, you can ignore most of this form & go to step 8.

If you answered **Yes** to either of these questions, please complete the following steps. These cover details of all of your UK pensions but ignore pensions from the State.

Information we need from you – continued

Step 1: What benefits are you taking now?

Do you expect to take other benefits on, immediately before or just after the benefits covered by this quote?

Yes No

If **No**, go to step 2.

If **Yes**, please provide details. You must nominate the order in which you are taking these benefits. We need this information to establish which benefits will be covered by any unused LSA and any which may be liable to a tax charge.

The nominated order may differ from the order in which arrangements are eventually paid, however as long as all providers are given the same nominated order, HMRC reporting requirements will be met

Continue on a separate sheet if necessary.

Order	Scheme name/pension provider, and plan or reference number	Date you wish to take benefits	Expected value of tax-free cash or tax-free element of UFPLS
1			
2			
3			
4			
5			

Step 2: Do you have a transitional tax-free amount certificate?

Do you have an existing transitional tax-free amount certificate?

Yes No

If **Yes**, please attach a photocopy of the transitional tax-free amount certificate. Go to step 3.

Step 3: What benefits have you taken since 6 April 2024?

Have you taken any benefits since 6 April 2024?

Yes No

If **No**, go to step 4.

If **Yes**, please enter details below and attach a copy of each statement provided by the scheme or pension provider confirming the amount of LSA used. If you answered 'Yes' in step 2 above, you should only consider any benefits taken after the certificate was issued when completing this section.

Scheme name/pension provider, and plan or reference number	Date when benefits were taken	Value of tax-free cash or tax-free element of UFPLS £

Continue on a separate sheet if necessary.

If you answered **Yes** to step 2, go to step 8.

Information we need from you – continued

Step 4: What benefits have you taken between 6 April 2006 and 5 April 2024

Have you received any other benefits, including income from an income drawdown (or unsecured income) plan, between 6 April 2006 and 5 April 2024? Yes No

If **No**, go to step 5.

If **Yes**, please enter details below and attach a photocopy of each BCE statement*. Please include any benefits you have taken from Prudential.

* The statement that you got from the scheme or pension provider showing the percentage of LTA used at the time the entitlement was paid.

Scheme name/pension provider, and plan or reference number	Date when benefits started	Scheme or pension provider statement attached (tick)	Percentage of LTA used

Continue on a separate sheet if necessary.

If you cannot send a copy of any BCE statement issued by the pension provider, please let us know when you will be able to send it. **We are unable to settle benefits until we receive this statement.**

Step 5: What benefits have you taken before 6 April 2006?

Have you answered **Yes** in step 4 and are you receiving an income from any other benefits, including income from an income drawdown plan, which started before 6 April 2006? Yes No

If **No**, go to step 6.

If **Yes**, you must confirm details, including any income/pension you are receiving from Prudential, of:

Pension/Annuity (excluding any drawdown income): The yearly rate of pension (before tax deduction) at your first Benefit Crystallisation Event (BCE) on or after 6 April 2006.*

We will use these values to determine the amount of LSA used up.

Scheme name/pension provider, and plan or reference number	Date when benefits started	Date of first BCE	Yearly amount of pension £*

Continue on a separate sheet if necessary.

Information we need from you – continued

Step 5: What benefits have you taken before 6 April 2006? – continued

Drawdown Income (See note 1)

If first BCE between 6/4/06 and 5/4/15 incl

Scheme name/pension provider, and plan or reference number	Date when benefits started	Date of first BCE	Yearly amount of pension/drawdown £

Continue on a separate sheet if necessary.

Note 1

If Capped Drawdown at date of first BCE, the yearly amount is the maximum income applicable in the Drawdown year in which the date the first BCE occurred on or after 6 April 2006.

The same applies for Flexible Drawdown, however, it is the maximum income applicable in the Drawdown year in which the Flexible Drawdown declaration was completed.

We will use these values to determine the amount of LSA used up.

If first BCE on or after 6/4/15 (See note 2)

Scheme name/pension provider, and plan or reference number	Date when benefits started	Date of first BCE	Yearly amount of pension/drawdown £

Continue on a separate sheet if necessary.

Note 2

If Capped Drawdown at date of first BCE, the relevant drawdown year is that in which the date of the first BCE applies. These will be valued against the Lifetime Allowance that applied at your first BCE on or after 6 April 2006 by multiplying 80% of the maximum income by 25.

If Flexi-Access Drawdown at first BCE, the relevant drawdown year is that in which funds were first converted to Flexi-Access Drawdown. These will be valued against the Lifetime Allowance that applied at your first BCE on or after 6 April 2006 by multiplying 80% of the maximum income by 25.

If Flexible Drawdown prior to 6 April 2015, the yearly amount is the maximum income payable in the Drawdown year in which the Flexible Drawdown declaration was completed. Where that Drawdown year began before 27 March 2014, the yearly amount is multiplied by 25. Where that Drawdown year began on or after 27 March 2014, it is 80% of the yearly amount which is multiplied by 25.

We will then use this information to convert this into how much Lump Sum Allowance has been used in accordance with HMRC guidelines.

Step 6: What benefits have you taken before 6 April 2006?

Have you answered **No** in step 4 and are you receiving income from any other benefits, including income from and income drawdown plan, which started before 6 April 2006?

Yes No

If **No**, go to step 8.

If **Yes**, you must confirm the details, including any income/pension you are receiving from Prudential, of:

Pension/Annuity (excluding any drawdown income): The yearly rate of pension (before tax deduction) at your first Relevant Benefit Crystallisation Event (RBCE) on or after 6 April 2024. If this is your first RBCE since 5 April 2024, this will be the current value of your pension.*

Information we need from you – continued

Step 6: What benefits have you taken before 6 April 2006? – continued

We will use these values to determine the amount of LSA used up.

Scheme name/pension provider, and plan or reference number	Date when benefits started	Date of first RBCE	Yearly amount of pension £*

Continue on a separate sheet if necessary.

Drawdown income (see note 1)

Scheme name/pension provider, and plan or reference number	Date when benefits started	Date of first RBCE	Yearly amount of pension/drawdown £

Continue on a separate sheet if necessary.

Note 1

If Capped Drawdown at date of first RBCE, the relevant drawdown year is that in which the date of the first RBCE applies. These will be valued against the Lump Sum Allowance at your first RBCE on or after 6 April 2024.

If Flexi-Access Drawdown at first RBCE, the relevant drawdown year is that in which funds were first converted to Flexi-Access Drawdown. These will be valued against the Lump Sum Allowance at your first RBCE on or after 6 April 2024.

We will then use this information to convert this into how much Lump Sum Allowance has been used in accordance with HMRC guidelines.

Step 7: To be completed for QROPS transfers only

If you've taken any benefits between 6 April 2006 and 5 April 2024, please enter the details below and attach a photocopy of each BCE statement*. Please include any benefits you have taken from Prudential.

* The statement that you got from the scheme or pension provider showing the percentage of LTA used at the time the entitlement was paid.

Scheme name/pension provider, and plan or reference number	Date when benefits started	Scheme or pension provider statement attached (tick)	Percentage of LTA used

Continue on a separate sheet if necessary.

If you cannot send a copy of any BCE statement issued by the pension provider, please let us know when you will be able to send it. We are unable to settle benefits until we receive this statement.

If you have made any transfers to a QROPS on or after 6 April 2024, please enter the details below. Please include any transfers to a QROPS you have made from Prudential.

Date of transfer to QROPS	Transfer Value

Go to section 8.

Information we need from you – continued

Step 8: What type of “LTA Protection” are you entitled to, if any?

You may have applied to HMRC to protect a higher LTA. Please confirm which type of LTA Protection or LTA Enhancement Factors, if any, apply to you and attach a photocopy/print out of the appropriate HMRC certificate. In the case of Fixed Protection 2016 and/or Individual Protection 2016, please provide the reference number issued by HMRC as evidence of your LTA protection. You can get more information on these from [gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance](https://www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance)

Type of Protection	Tick if protection applies	Certificate attached (tick)
Enhanced Protection		
Primary Protection		
Fixed Protection		
Fixed Protection 2014		
Individual Protection 2014		
Fixed Protection 2016*		
Individual Protection 2016*		
Recognised Overseas Scheme Transfer		
Pension Credit Factor		
Non Residence Factor		

* If you do not hold a protection certificate but have an HMRC protection reference number, please provide this instead.

If any photocopy/print out of an HMRC protection certificate is not available, please let us know when you will be able to send it.

We will assume that you do not have any protection unless you can send us a photocopy/print out of the HMRC protection certificate.

Step 9: Declaration

I confirm that:

- The information I have given in this form is correct.
- I have disclosed details of all my pension schemes (other than my State Pension or any other pension entitlements which do not contribute towards the Lump Sum Allowance).
- I consent to the exchange of information directly between Prudential and the other pension schemes or providers I have mentioned in this form, as may be necessary to facilitate the payment of benefits from my Prudential account/fund.

Your signature

Date

D	D	M	M	Y	Y	Y	Y
---	---	---	---	---	---	---	---

Please return this form and relevant attachments to: Prudential, Lancing BN15 8GB.

Next steps

When you send back your completed form together with any other required documentation, we can issue revised quotations (where applicable) showing your options, where:

- you are eligible for Lifetime Allowance protection and this changes the figures previously quoted.
- you have exceeded the Lump Sum Allowance.