

UK PENSION
CHANGES &
TTFAC'S

QB | Partners

CONTENTS

- Lifetime Allowance Abolishment
- History of the Lifetime Allowance
- New Allowances
- Transitional Certificates
- Case Study
- Questions and Answers



WHO ARE QB PARTNERS?

QB Partners was
founded in January
2009

Practical accessible
support using a solutions
driven approach

Our areas of expertise
include international
pensions, cross border
trust and estate planning,
wealth insurance and
business protection

Cross border independent
specialist providing support to
regulated IFA's and
professional advisers

We are continuing
to develop and
evolve our
services



Partners



Independent Service



Client specific support for
suitability & 'reasons why'
reports



Practical implementation
covered by PI insurance



Due Diligence



Reduces risk in adviser
business

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ABOLISHMENT – SPRING BUDGET 2023



- ❖ Jeremy Hunt announced in the 2023 Spring Budget that the Lifetime Allowance would be abolished.
- ❖ Key reason was to incentivise those currently considering retirement to remain in employment, and to encourage skilled workers such as NHS Doctors who have already left the workforce to return.
- ❖ Lifetime Allowance Charges reduced to 0% in April 2023, giving Government and Schemes time to adopt new rules from April 2024 with full abolishment.
- ❖ Announced that the Lifetime Allowance would be replaced with Lump Sum Allowance and Death Benefit Allowance.
- ❖ Subsequent announcement November 2023 also confirmed there would be an Overseas Transfer Allowance.
- ❖ Short window for appropriate clients to transfer to QROPS uncapped.



The Lifetime Allowance was introduced in April 2006 by the Labour party ('A-Day').



A mechanism for limiting tax-relieved pension savings in registered pension schemes, in addition to and separate from the Annual Allowance.



The maximum amount of tax-relievable pension savings an individual can benefit from over the course of their lifetime was originally capped at £1.5m.



People could contribute to pension over this limit but would ultimately be subject to Lifetime Allowance Charges of 25%, or 55% if taking excess as a lump sum.



Protection was available in various forms on A-Day and whenever the limit was subsequently changed, although this normally required contributions to cease.

History of the Lifetime Allowance (LTA)

History of the Lifetime Allowance



Changes to the Lifetime Allowance Limit over time

Tax year	Lifetime Allowance
2006-7	£1.5m
2007-8	£1.6m
2008-9	£1.65m
2009-10	£1.75m
2010-12	£1.8m
2012-13	£1.5m
2013-14	£1.5m
2014-16	£1.25m
2016-18	£1m
2018-19	£1,030,000
2019-20	£1,055,000
2020-23	£1,073,100

NEW ALLOWANCES



Partners



- ❖ The Lump Sum Allowance has been introduced on 6th April 2024.
- ❖ This allowance will be used to cap the amount of Tax-Free Cash available from UK pension benefits.
- ❖ The limit is initially set at £268,275, which is 25% of the now abolished Lifetime Allowance limit.
- ❖ UK pension members are be able to withdraw up to 25% of their pension or £268,275, whichever is the lower.
- ❖ Previous and New Tax-Free Lump Sums from UK pensions will reduce the Lump Sum Allowance.
- ❖ Higher Lump Sum Allowance available for those with Lifetime Allowance Protection in force.



LUMP SUM ALLOWANCE (LSA)

LUMP SUM AND DEATH BENEFIT ALLOWANCE (LSDBA)

- ❖ The Lump Sum and Death Benefit Allowance has been introduced on 6th April 2024.
- ❖ Prior to 6 April 2024, beneficiaries of UK pensions could receive a 100% tax-free lump sum or opt to receive tax-free drawdown IF the member died before age 75. After age 75 the full amount is subject to UK income tax.
- ❖ The Lump Sum and Death Benefit Allowance is now used to cap the total tax-free lump sum that can be paid out from a registered pension scheme on death before age 75.
- ❖ There is no change on death after age 75 or if the beneficiary elects to receive benefits as an income.
- ❖ The Lump Sum and Death Benefit Allowance is set at £1,073,100. The same amount as the Lifetime Allowance Limit was.
- ❖ Any Tax-Free Amounts that the member has received during their lifetime will reduce the Lump Sum and Death Benefit Allowance. Any excess paid out as a Lump Sum will be subject to income tax at the beneficiaries' marginal rates.
- ❖ Higher Lump Sum and Death Benefit Allowance available for those with Lifetime Allowance Protection in force.

The Overseas Transfer Allowance has been introduced on 6th April 2024.

- ❖ Prior to 6th April 2023 pension transfers to QROPS subject to a 25% Lifetime Allowance Charge on any excess over Lifetime Allowance Limit.
- ❖ Transfers to QROPS in 2023/24 tax year incurred no Lifetime Allowance Charges.
- ❖ Post-6th April 2024 pension transfers to QROPS will be subject to a 25% Overseas Transfer Charge on any excess over the Overseas Transfer Allowance.
- ❖ The Overseas Transfer Allowance is also set at £1,073,100 as standard (or higher with protection).
- ❖ Allowance currently reduced by 100% of any previous Lifetime Allowance amount used (new legislation promised to prevent double testing).
- ❖ The Overseas Transfer Charge rules introduced in 2017 and the exemptions still apply. Must now satisfy an exemption AND not exceed the Overseas Transfer Allowance to avoid a charge.

A cup of dark coffee in a white ceramic cup sits on a matching saucer in the top right corner. Below it, a portion of a silver laptop keyboard is visible, showing keys like 'caps lock', 'shift', 'fn', 'control', 'alt', 'option', and 'command'. A gold-colored pen lies diagonally across the bottom right of the keyboard.

OVERSEAS TRANSFER ALLOWANCE (OTA)



OVERSEAS TRANSFER CHARGE EXEMPTIONS

25% Overseas Transfer Charge (OTC) on transfers from UK pensions to QROPS.

Exemptions when member lives in same country as QROPS is held e.g. Australia

Exemptions for EEA residents, extended after Brexit to include UK residents and Gibraltar QROPS.

Exemptions on transfers to genuine occupational schemes

LABOUR PENSION
REVIEW

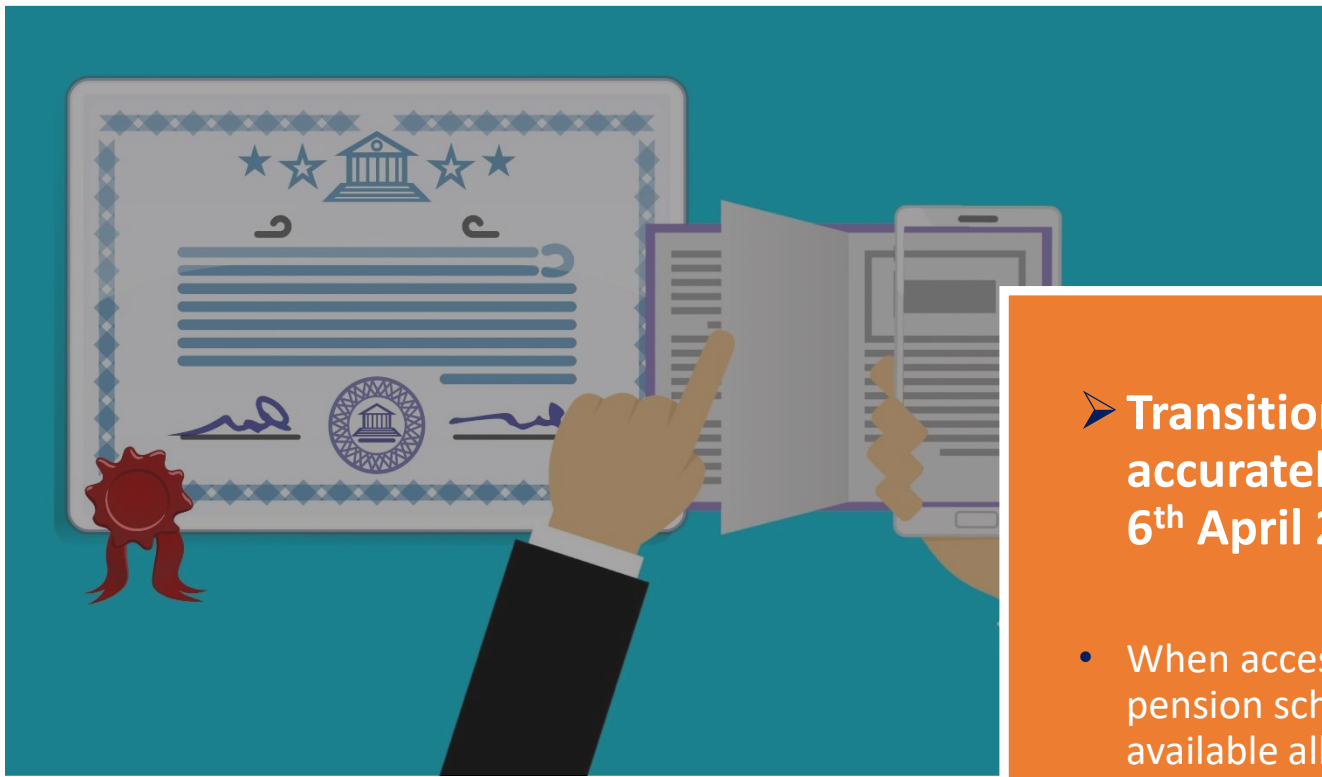


THE LABOUR PROMISE

- ❖ Following the announcement that the Lifetime Allowance would be abolished, Labour were quick to criticise the move and challenge their reasoning.
- ❖ Shadow Chancellor, Rachel Reeves, promised that they would reintroduce the Lifetime Allowance when they came into power.
- ❖ This caused a lot of concern, particularly amongst pension members with funds close to or more than the Lifetime Allowance limit.
- ❖ The uncertainty drove many pension members to crystallising their benefits sooner than they otherwise would, or even switching to QROPS.
- ❖ However, Labour recently U-turned on these plans and this was left out of the Labour manifesto. The manifesto did however allude to a future review of the 'pensions and retirement savings landscape'.



TRANSITIONAL
TAX-FREE AMOUNT
CERTIFICATES
(TTFACs)



TTFACs

➤ **Transitional Tax-Free Amount Certificates are available to accurately reflect the tax-free amounts received prior to 6th April 2024, when applying the LSA or LSDBA.**

- When accessing benefits from UK pensions post-6th April 2024, the pension scheme will use a standard calculation to work out the members available allowances.
- The standard calculation will deduct 25% of the LTA used from the standard allowances.
- Most UK pension members will not require or benefit from a certificate.
- If a member wishes to apply for a certificate, then an application must be made prior to any relevant benefit crystallisation event.
- The certificate must be used by the pension scheme even if the standard calculation would have provided a higher tax-free amount entitlement.

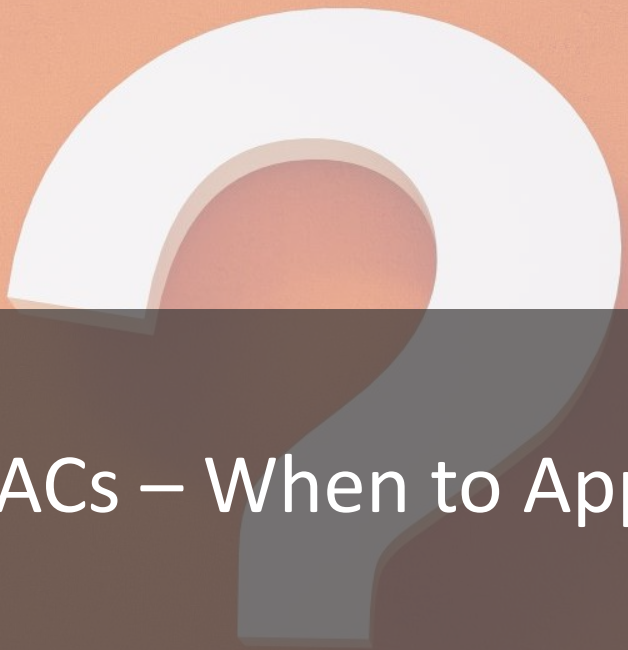
A Transitional Tax-Free Amount Certificate is only available to UK registered pension members who have crystallised benefits prior to 6th April 2024.

An up-lift may be available to individuals who have crystallised benefits in the following scenarios:

1. Defined Benefit Pensions.
2. Transfers to QROPS.
3. Unused fund past age 75.
4. Lower Lifetime Allowance Limit.

Conversely, where benefits have been accessed when the LTA limit was higher, the standard calculation will provide better results.

It can also be beneficial to obtain a TTFAC where a UK pension member below age 75 has used 100% of the LTA, to increase their LSDBA.



TTFACs – When to Apply?

CASE STUDY



QROPS TRANSFER

i

Mr Smith is 60 years old and has had a successful career in the UK. He is due to retire imminently and will take his Tax-Free Cash entitlement from his pension benefits.

i

His pension benefits total £2,000,000, comprising of £1.4m in QROPS and £600k in a UK SIPP.

i

Mr Smith has Fixed Protection 2016 at £1.25m in place and the QROPS is derived from a transfer of £1.25m in 2022.

i

Mr Smith's UK adviser is considering the amount of Tax-Free Cash available from the QROPS and from the UK Pension.

i

QB Partners are engaged to assist in calculating Mr Smith's allowances and the results are produced in a short TTFAC Report.

STANDARD DEFAULT ALLOWANCES

THE STANDARD DEFAULT ALLOWANCES ARE THE AMOUNTS AVAILABLE TO A MEMBER OF A PENSION SCHEME WHOSE PENSION HAS NOT BEEN PAID IN FULL AT THE TIME OF THEIR DEATH. THESE ALLOWANCES ARE BASED ON THE ASSUMPTION THAT THE MEMBER HAS NOT MADE ANY CHOICES ABOUT HOW TO TAKE THEIR PENSION BENEFITS.

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Lump Sum Allowance Available	
Standard Default	£0
Lump Sum and Death Benefit Allowance Available	
Standard Default	£0

ALLOWANCES WITH A TTFAC

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Lump Sum Allowance Available	
TTFAC	£312,500
Lump Sum and Death Benefit Allowance Available	
TTFAC	£1,250,000

CASE STUDY



QROPS TRANSFER

1

Under the standard default calculations, it will be deemed that Mr Smith has a Lump Sum Allowance of **£0** in the UK.

2

This will apply automatically at the next Relevant Benefit Crystallisation Event.

3

Mr Smith would be entitled to a Lump Sum Allowance of **£312,500** in the UK via the application of a TTFAC.

4

This is because when the benefits were tested on transfer to QROPS under BCE8, no tax-free cash is paid to the member.

5

Mr Smith is still limited to 25% of the value of his £600k UK Pension. Furthermore, he can then also access up to £312,500 from his QROPS* without impacting his UK Lump Sum Allowance under current rules.

**see Double Tax-Free Cash Slide.*

CASE STUDY



DEATH BENEFIT ALLOWANCE

Furthermore, our short TTFAC Report also includes details of the Lump Sum and Death Benefit Allowance (LSDBA):

Without TTFAC:	£0
With TTFAC:	£1,250,000

The Lump Sum Allowance is set at £0 because of a strange nuance in the legislation, which is worth expanding on.



Any Lifetime Allowance used before 6th April 2024 reduces the Lump Sum and Death Benefit Allowance by 25%.



However, legislation states that if 100% of the Lifetime Allowance has been used, the clients' allowances are automatically set to zero.



Any Lump Sum Death Benefits paid out on death before age 75 would therefore be subject to UK income tax at marginal rates.



In comparison, an individual who had crystallised 99% of their Lifetime Allowance would still have a Lump Sum and Death Benefit Allowance of c£807,500.



A TTFAC should therefore be considered for any UK pension member who had zero Lifetime Allowance and who is under age 75.

100% LTA Rule

- It was reported by the Telegraph back in January and discussed by a number of industry experts, that the legislation coming into effect from April 6th seemingly permitted extra Tax-Free Cash using QROPS.
- It seemed too good to be true and we expected that this was a loophole which would quickly be closed.
- It is only possible in specific client situations and even then, care must be taken to implement the planning correctly.
- However, it is currently possible for some individuals with UK pension funds exceeding their Lifetime Allowance to access extra Tax-Free Cash via QROPS.
- Not an area of planning that we are promoting but we are able to assist if requested.



Double Tax-Free Cash?

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QUESTIONS?
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QB Partners have taken all reasonable measures to ensure that the information contained in this document is accurate based on its understanding of current legislation.

QB Partners cannot accept responsibility or liability for errors in or omission from any information given and for any consequences arising.

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QB Partners Tax Related Services

TTFAC- Tax Free Amount Certificates



TTFAC Flyer



TTFAC Online Form



QBTax



QBTax Flyer



QBTax Online Form



Websites



QB Partners Website



Main Linktree



TTFACS

TRANSITIONAL TAX-FREE AMOUNT CERTIFICATE SERVICE

QB Partners offer independent, market leading technical support to financial advisers with cross border clients, on a business-to-business basis.

QB Partner's TTFAC Service provides confirmation of a clients available Lump Sum Allowance and Lump Sum and Death Benefit Allowance with commentary and guidance on how to obtain a certificate, where appropriate.

Why has the service become necessary?

As of 6th April 2024, tax free amounts from UK pensions will be limited by a Lump Sum Allowance (LSA) and Lump Sum and Death Benefits Allowance (LSDBA). UK pension members that had used up some of their Lifetime Allowance will have reduced allowances and will be subject to standard calculations when they access any other uncrystallised UK pensions. A Transitional Tax-Free Amount Certificate may be beneficial to some clients, to increase these allowances.

Under the standard calculations, the scheme will assume that 25% of any Lifetime Allowance used pre-6th April 2024 will have included a 25% Tax-Free Amount to the member.

Care must be taken as the certificate cannot be cancelled if the results provide reduced allowances. QB Partners TTFAC Service will help you to clarify the outcome of a TTFAC application in advance, compared with the allowances available via the schemes standard calculations.



Examples of when a TTFAC could benefit your client:

1. Where a UK pension member has a Defined Benefit Pension in payment, which has paid Tax-Free Cash below 25% of the Lifetime Allowance used.
2. Where UK pension benefits have been transferred to QROPS.
3. Where 100% of the Lifetime Allowance has been used and the member is below the age of 75.

Under the first 2 examples, it may be beneficial to increase your clients Lump Sum Allowance if they have other UK pensions which are uncrystallised and where 25% of the uncrystallised pension would exceed the 'Standard' Lump Sum Allowance.

An increased Lump Sum and Death Benefit Allowance may be available via each example, although under the 3rd example the increase will typically be from zero to £804,825, which could save UK beneficiaries from up to £362,000 in UK income taxes.



QB Partners TTFAC service is available starting at £250, or £500 with 'sign-off' from a UK chartered Tax Adviser.

You can submit a request via our short online TTFAC form, available here: www.qbtax.uk



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www.qbpartners.co.uk

Transitional Tax-Free Amount Certificates (TTFAC) are available for UK pension members who believe they are entitled to a higher Lump Sum Allowance (LSA) and/or Lump Sum and Death Benefit Allowance (LSDBA) than they would receive under the standard calculations.

For a fee of £250, or £500 with UK tax adviser sign off, you will receive a report which confirms (based on the information provided to us), what a clients LSA and LSDBA will be with 1) the standard calculation and 2) the application of a TTFAC.

We will provide practical commentary and guidance on how to obtain a certificate where appropriate, or will otherwise recommend against obtaining a certificate where the client would not benefit.

Adviser Name

First Name

Last Name

Adviser Email *

Client Name

Client Age

Existing Pension Schemes

Scheme Name	Current Approximate Value	Fully Crystallised, Partly Crystallised or Uncrystallised

Does the client have any Lifetime Allowance Protection in force?

Please provide details if so (e.g. Fixed Protection 2016 at £1.25m)

Total percentage of Lifetime Allowance used

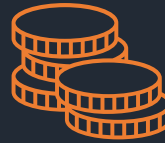
Total Tax-Free Cash Received

£

☐ Please confirm that the client has not received any Tax-Free Cash since 6th April 2024

TTFAC

Transitional Tax-
Free Amount
Certificate
Calculation



04/06/2024



Prepared for

Adviser Name
of Adviser Firm

RE

Client Name or Reference



Prepared by
John Clare



QB | Partners

INTRODUCTION

QB Partners is an independent service working with professional advisers to offer support in all areas of financial planning. We offer a TTFAC Service to help advisers assess their client's eligibility for enhanced tax-free allowances.

TTFAC's (Transitional Tax-Free Amount Certificates) were introduced in legislation effective from 6th April 2024, when the UK Lifetime Allowance Limit was abolished, and new allowances were introduced to restrict the Tax-Free Amounts available from UK pensions. They can be obtained from UK pension schemes to accurately reflect the amount of Tax-Free Cash the member has received.

The Lump Sum Allowance is set at £268,275 as standard and is used to restrict Tax-Free Pension Commencement Lump Sums from UK pensions.

The Lump Sum and Death Benefit Allowance is set at £1,073,100 as standard and is used to restrict Tax-Free Lump Sum Death Benefits from UK pensions, where the member has died before age 75.

QB Partners has obtained client information, and the following summary is based on the information received:

CLIENT DETAILS

- UK Resident
- Born 27th September 1946
- Age 77
- Crystallised Pension Benefits totalling £1,771,500
- Includes £191,000 in a Delisted/Ex-QROPS

PENSIONS HISTORY

Lifetime Allowance Limit	£1,500,000
Lifetime Allowance Used	100%
Pre-2006 BCE's or SIHLS	N/A
Tax-Free Amounts Received from UK Pensions	£115,730.46
Tax-Free Amounts Received from QROPS	£275,913

STANDARD DEFAULT ALLOWANCES

If the client does not obtain a TTFAC, the scheme will assume that any Benefit Crystallisation Events that occurred prior to 6th April 2024 included a Tax-Free Amount received equivalent to 25% of the Lifetime Allowance used.

The following standard default Lump Sum Allowance will apply at the next Relevant Benefit Crystallisation Event (RBCE) if a TTFAC is not obtained in advance of this.

The standard default Lump Sum and Death Benefit Allowance is only applicable on death before age 75, where a TTFAC has not been obtained by the member.

Any lump sum amounts received in excess of these allowances, by UK residents, are subject to marginal rates of UK income tax.

Lump Sum Allowance Available	
Standard Default	£0
Lump Sum and Death Benefit Allowance Available	
Standard Default	£0

ALLOWANCES WITH A TTFAC

QB Partners have calculated the Tax-Free Amounts available via the application of a Transitional Tax-Free Amount Certificate, based on the information provided by Serenity Financial Planning.

Whilst the below figures show the possible outcome of a TTFAC application, this is only available if an application is completed correctly and fully consistent with the information provided to QB Partners, along with evidence of all previous BCE's and Tax-Free Amounts received.

Furthermore, these figures show the maximum permitted amounts from UK pensions under UK legislation but the actual amounts available are still restricted by the value of the clients UK pension pots.

The amount of Tax-Free Cash that a member can receive is limited to 25% of the value of any uncrystallised pensions, or their Lump Sum Allowance, whichever is the lower.

Lump Sum Allowance Available	
TTFAC	£259,269.54
Lump Sum and Death Benefit Allowance Available	
TTFAC	£1,384,269.54*

**not applicable for clients aged 75 or over.*

SUMMARY

Based on the information provided, QB Partners have calculated that the client can increase their Lump Sum Allowance by applying for a Transitional Tax-Free Amount Certificate (TTFAC).

An increased Lump Sum and Death Benefit Allowance is also available, also this will not be relevant for this client, as it is only applied where the member dies before reaching their 75th birthday.

The increase to the allowances, based on the information provided to QB Partners, is as follows:

Lump Sum Allowance, plus £259,269.54.

Lump Sum and Death Benefit Allowance, plus £1,384,269.54.

An application for a TTFAC should be submitted prior to the next Relevant Benefit Crystallisation Event (RBCE).

Evidence of all Benefit Crystallisation Events will be required.

More information on the application process and scheme requirements, as per regulator guidance and legislation is included on this page, although we recommend that you ask the clients UK pension scheme for confirmation of their requirements, as many will have a specific form to complete.

This note is intended to support Adviser Name and should not be deemed to be advice to the client. Tax Sign-Off is available for a fee of £250 to support these calculations.

TTFAC APPLICATIONS

As per the [HMRC Pensions Tax Manual](#), 'an individual may apply for a certificate to any registered pension scheme they are a member of. Individuals may wish to apply to the registered pension scheme under which they crystallised the majority of their pension benefits prior to 6 April 2024, or under which they expect to have their first relevant benefit crystallisation event after this date... An individual cannot apply for a certificate if they have already had a relevant benefit crystallisation event occur on or after 6 April 2024.'

It is also confirmed that complete evidence must be submitted with any application, so that the scheme administrator can determine the tax-free amounts paid relative to any benefit crystallisation events. The scheme can refuse to provide an application on the grounds of insufficient evidence.

Although each scheme may have their own application form and list of questions, the client can expect to be asked for the following information when requesting a TTFAC, for each benefit crystallisation event (BCE):

Scheme Name / Provider	Date of BCE	Type of BCE	% of LTA Used	Tax-Free Amount Received	Any LTA Protection	Evidence (e.g. BCE statement)
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The scheme are required to produce a certificate within 3 months of receiving an application.

Finally, please note that it is our understanding based on current legislation that Tax-Free Amounts from QROPS do not need to be declared when applying for a TTFAC. Only tax-free amounts received from UK pensions are relevant. If it is declared that the client has received Tax-Free Cash in connection with BCE8 (transfers to QROPS), it is likely that the certificate will not show enhanced allowances.