

NEWSLETTER – LIFETIME ALLOWANCE CHANGES & PROTECTION 2014

As you will be aware, the Government have reduced the lifetime allowance (“LTA”) limit for the tax year 2014-2015 to £1,250,000 and the annual allowance for contributions to £40,000.

In order to consider “Protection” against these changes, the HMRC has issued the following guidance:

1. Fixed Protection 2014 - Do it Online

Individuals can choose to protect their LTA from 6 April 2014 at the 2013-2014 level of £1.5 million by applying for fixed protection 2014 (FP2014). An online tool to help individuals decide whether they should apply for Fixed Protection 2014 (FP2014) and/or Individual Protection 2014 can be found at:

<http://www.hmrc.gov.uk/pensionschemes/fp14online.htm>.

Should an individual decide they want to apply for FP2014 they should notify HM Revenue & Customs (HMRC) by completing this online form:

<http://www.hmrc.gov.uk/pensionschemes/fp14online.htm> on or before 5 April 2014.

Immediate confirmation of receipt is provided for online applications, along with a reference to assist with any future enquiries. This email will provide individuals with details of when they can expect to hear from HMRC regarding their application and should be stored safely as proof of submission.

If the application for FP2014 is accepted by HMRC, they will send a certificate to the individual which should be copied to FBA. It should also be shown to their pension scheme administrator of each arrangement every time they take any benefits

If the individual has successfully applied for FP2014, to keep this protection there are restrictions on any tax relieved pension savings that they can make from 6 April 2014. More information about these restrictions and FP2014 can be found at

<http://www.hmrc.gov.uk/pensionschemes/pension-savings-la.htm>.

FP2014 is only open to individuals who don't on 6 April 2014 have any of the existing LTA protections, that is, primary, enhanced or fixed protection 2012. Individuals with these protections should check that the particular protection they have remains valid. If the existing protection is lost before 6 April 2014, then the individual will be able to apply for fixed protection 2014, giving them a protected LTA of £1.5 million from 2014-2015 onwards.

2. Individual Protection 2014

Following confirmation by the Government at Budget 2013 that an individual protection regime would be introduced to accompany the reduction in the LTA, the HMRC launched a consultation on 10 June 2013 on individual protection 2014 (IP2014).

It is proposed that IP2014 will give individuals a personalised LTA based on the value of their pension savings at 5 April 2014 (up to £1.5 million). It will allow individuals to

continue pension saving after 5 April 2014 whilst protecting tax relieved pension savings that have accrued up to that date, subject to an overall maximum of £1.5 million. The consultation document can be found at:

<https://www.gov.uk/government/consultations/pensions-tax-relief-individual-protection-from-the-lifetime-allowance-charge>.

The consultation runs until 2 September 2013.

You should note that it is also proposed that individuals will be able to apply for both fixed protection and IP2014, but because of the way the different protection regimes will work, applications for FP2014 and IP2014 can't be sent at the same time. Applications for FP2014 must be received by HMRC by 5 April 2014, whereas applications for IP2014 can't be submitted until after this date as a valuation of pension savings on this day will be required. It is proposed that there will be a three year window to apply for IP2014.

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