

Lifetime Allowance (LTA)

From 6 April 2006, the Government introduced a single tax regime that applies to all UK registered pension arrangements. The regime introduced a personal Lifetime Allowance, which is the total capital value of a member's pension and lump sum benefits coming into payment from all registered pension arrangements. .

The level of the Lifetime Allowance means that most people will be unaffected. All members who are retiring will be asked to certify whether their benefits exceed the Lifetime Allowance.

For defined benefit schemes, such as the British Steel Pension Scheme the capital value will be the starting annual amount of the pension times a factor of 20 plus the amount of any retirement lump sum benefit. If the value of your total pensions and associated lump sums exceed the Lifetime Allowance, your benefits may be subject to a tax charge, called the Lifetime Allowance charge. The additional charge is 25% of the value in excess of the Lifetime Allowance if the benefit is taken in pension form (or 55% of any excess benefits paid in a lump sum form). Excess amounts to be paid in pension form are also taxable as income in the normal way.

From 6 April 2012, the LTA will be reduced from £1.8 million to £1.5 million. The reduced LTA will apply to the capital value of pension benefits becoming payable on or after 6 April 2012. The Pensions Office will continue to calculate any tax due on Scheme benefits above the LTA on a member's retirement.