

# LIFETIME ALLOWANCE FACTSHEET



## WHO IS THIS FACTSHEET FOR?

This factsheet is for members of the Shell Contributory Pension Fund (SCPF).

## WHAT IS THE PURPOSE OF THIS FACTSHEET?

To provide members of the SCPF with an understanding of how the Lifetime Allowance limit may affect their pension.

## BACKGROUND

Since 6 April 2006 ('A-day') the maximum value of pension benefits that an individual can build up during their lifetime without triggering additional tax charges is known as the Lifetime Allowance (LTA).

The LTA is set by the Government and has changed several times over recent years:

Tax years	Lifetime Allowance
6 April 2011 to 5 April 2012	£1.8m
6 April 2012 to 5 April 2014	£1.5m
6 April 2014 to 5 April 2016	£1.25m
6 April 2016 to 5 April 2018*	£1.0m
6 April 2018 to 5 April 2019	£1.03m
6 April 2019 to 5 April 2020	£1.055m
6 April 2020 to 5 April 2021	£1.073m

\*the LTA became index-linked (i.e. rise and fall with inflation) from 2018.

There is also a limit to the amount that can be contributed or built up in any given tax year, whilst continuing to benefit from tax advantages, this is known as the Annual Allowance (see the Annual Allowance factsheet).

## JARGON

### Benefit Crystallisation Event

Is when an individual takes any pension benefit. At this point it is necessary to test the value of the benefits against the applicable LTA. Any benefits in excess of the LTA will be subject to a tax charge known as the Lifetime Allowance charge.

## HOW ARE BENEFITS MEASURED AGAINST THE LIFETIME ALLOWANCE?

Whenever you start to take benefits from a pension (sometimes known as a “benefit crystallisation event”), you use up a percentage of the LTA. For example, if you take a pension in 2020/2021 with a capital value of £500,000 you will use up 46.59% of the LTA.

For a defined benefit scheme, like the SCPF, the capital value of your benefits is calculated as 20 x your initial pension plus any tax free cash that you receive (if you started taking your pension before 6 April 2006, a factor of 25 is used).

For a defined contribution arrangement, like the SCPF AVC scheme, the test depends upon the type of benefit(s) you take:-

- If you decide to use your SCPF AVC fund to purchase an annuity or for drawdown with another provider, (e.g. with Legal & General) the total value of your AVC fund is tested against the LTA.
- If you decide to use your SCPF AVC fund to purchase a scheme pension within the SCPF, (e.g. a SCPF annuity) the benefits are tested against the LTA in the same way as defined benefits, using a factor of 20.

When your pension is measured against the LTA the administration team will send you a certificate showing the percentage of the LTA this has used. This is so that you can inform them of any other pension providers you may have. It is important to remember that the onus is on you to declare to pension providers how much of the LTA has been used each time you start to take a new pension.

## WHAT HAPPENS IF I EXCEED THE LIFETIME ALLOWANCE?

If, when you come to take a pension it exceeds your available LTA, that excess is a ‘chargeable amount’. The chargeable amount is subject to the Lifetime Allowance charge. The rate of tax charge you pay depends on how the excess is paid to you; the rate is:

- 55% if you take it as a lump sum, and/or
- 25% if you take it as pension income (in addition your regular income is then taxed at your marginal rate of income tax)

## PROTECTION AGAINST A LIFETIME ALLOWANCE CHARGE

Since the LTA was introduced in 2006, it has been possible to apply for some form of protection against a potential lifetime allowance charge. The type of protection has changed each time the LTA has been reduced. These protections include:

- primary protection
- enhanced protection
- fixed protection, and
- individual protection.

You can find out more on the different protections on HMRC’s website [www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance](https://www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance)

## WHAT DO I NEED TO DO?

If you think your total pension savings might be in excess of the current LTA, you can use HMRC's Lifetime Allowance checker tool to see if the 2016 individual protection is available to you

[www.hmrc.gov.uk/tools/lifetimeallowance/index.htm](http://www.hmrc.gov.uk/tools/lifetimeallowance/index.htm)

If you have already applied for one of the previous types of protection you would have received a Protection Certificate from HMRC. Please send a copy of the protection certificate to the Pension Advisory for their records.

## FINANCIAL ADVICE

Lifetime Allowance and protection rules are complex; it is strongly recommended that you take independent financial advice or seek specialist tax advice if you think that your pension might exceed the LTA.

The Trustee, Shell companies and their employees cannot give you financial advice regarding your pension decisions; this includes recommending financial advisers.

You can find a list of independent financial advisers in your area at [www.unbiased.co.uk](http://www.unbiased.co.uk)

The Financial Conduct Authority ([www.fca.org.uk](http://www.fca.org.uk)) also provides information for consumers about all aspects of financial planning, including how to find an adviser and what questions to ask.

## CONTACT DETAILS

If you have queries regarding the Lifetime Allowance and your SCPF benefits, please contact the Pension Administration Team:

Email: [UKPensionsAdmin@shell.com](mailto:UKPensionsAdmin@shell.com)

Write to: Pensions Administration Team, Trustee Services Unit, Shell International Limited, Shell Centre, London, SE1 7NA