



SCPF

Lump Sum Allowance (LSA) and Lump Sum and Death Benefit Allowance (LSDBA) Factsheet

Background

The Lifetime Allowance (LTA) was the maximum amount of saving an individual could build up in UK-registered pension schemes throughout their lifetime without incurring LTA tax charges.

At the 2023 Spring Budget, the Chancellor announced the abolition of the Lifetime Allowance:

- As a first step, the LTA tax charge was disapplied for the 2023/24 tax year.
- The second step was the abolition of the LTA from the start of the 2024/25 tax year and the introduction by the Government of two new allowances which apply to lump sums (not pensions): the Lump Sum Allowance (LSA) and the Lump Sum and Death Benefit Allowance (LSDBA).

Lump Sum Allowance (LSA)

For most members, the LSA will limit the amount which you can receive as a tax-free cash lump sum. The tax-free element of any “uncrystallised funds pension lump sums” (UFPLS) also counts towards the LSA. The standard LSA is £268,275 (which is 25% of the old LTA of £1,073,100) but if you used any LTA before 6 April 2024, you should note that your LSA will be reduced (see Important considerations).

Lump Sum and Death Benefit Allowance (LSDBA)

In addition to the lump sums caught by the LSA, the tax-free elements of other authorised lump sums paid in life and death (e.g. tax-free elements of serious ill-health lump sums and lump sum death benefits) will be tested against the deceased’s LSDBA. The standard LSDBA is £1,073,100 (which is the old LTA). As with the LSA, if you used any LTA before 6 April 2024, you should note that your LSDBA will be reduced (see Important considerations).

Important considerations

- **LTA protection:** If you have a valid form of LTA protection and/or lump sum protection (e.g. Primary protection, Enhanced Protection or Fixed Protection), you may retain a right to a higher LSA and LSDBA than the standard allowances described above. The amount will depend on the type of protection you have. If you think this might affect you, you may wish to seek advice.
- **Transitional provisions:** As noted above, if you used up some (but not all) of your LTA before 6 April 2024, your LSA and LSDBA will be reduced. In most circumstances, 25% of the total LTA used will be set off against the allowances. However, if you did not take the maximum 25% tax-free cash when accessing benefits before 6 April 2024, you or your personal representatives can request an alternative calculation. Please contact the pensions administration team if you want to explore this further.

If you used up all of your LTA before 6 April 2024, you will not have access to the new allowances at all.

- **Tax consequences of exceeding allowances:** To the extent that payment of a lump sum exceeds a remaining allowance you will be taxed on the excess at your marginal rate of income tax.
- **Other benefits:** The new allowances described above apply to each person across all registered pension schemes and not to each scheme. Therefore, you should consider any pension benefits you have in addition to your Shell benefits.

Where can I Find Financial Advice?

If you continue to be employed by Shell you can find out more about the limits on the amount of pension savings you can take without a tax charge (and much more) via the Company's [Financial Education Hub](#) (hosted by Close Brothers). There are webinars on managing your pension tax allowances and you can also contact their free helpline with questions on 0800 917 8377 or email shellhelpline@closebrothers.com.

Pension tax can be complicated and seeking advice from a financial adviser or tax specialist can help you navigate the complexities of the LSA and LSDBA rules.

Contact

If you have any questions regarding the information in this factsheet, please contact the pensions administration team.

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