

## Rexam Pension Plan

### Tax-free allowances and pension lump sum changes from 6 April 2024

From 6 April 2024, the Lifetime Allowance (“LTA”) regime was removed, with two new tax-free lump sum allowances introduced in its place.

#### Background

The LTA was the maximum amount of pension savings that you could previously build up tax efficiently over the whole of your lifetime. The standard LTA for the 2023/24 tax year was £1,073,100.

#### What changed from 6 April 2024?

*Please note that this is based on our current understanding of the tax changes from 6 April 2024 based on the legislation and guidance as it stands at June 2024, which may be subject to further change.*

The LTA regime has been removed, with two new tax-free lump sum allowances replacing it: the “lump sum allowance” (“LSA”) and the “lump sum and death benefit allowance” (“LSDBA”). The two new allowances will apply across all registered pension schemes, not per scheme, **with lump sums exceeding either allowance taxed at your marginal rate**. The new allowances only apply to lump sum payments, not pensions.

#### The LSA

The LSA is a limit on the total lump sums which you are able to take on a tax-free basis. The standard LSA is £268,275 (being 25% of the previous standard LTA), though this may vary based on your circumstances – see the next page.

The tax-free lump sum which you can take when you retire (often referred to as a “pension commencement lump sum”) will be subject to the same conditions as under the LTA regime:

- it may only be paid in connection with you starting to receive your pension from the Rexam Pension Plan
- it will be limited to (broadly) 25% of the total value of your retirement benefits under the Rexam Pension Plan.

Your LSA will be reduced by the amount of:

- Any previous tax-free lump sum you have taken from the Rexam Pension Plan or from any other pension scheme; plus
- If you have previously taken a lump sum which has both taxed and tax-free parts (such as an uncrystallised funds pension lump sum), the tax-free part of that lump sum.

The LSA will apply to any tax-free lump sum that you choose to take from the Rexam Pension Plan in connection with your pension coming into payment.

#### The LSDBA

The standard LSDBA is £1,073,100 and this limit applies to the tax-free part of certain lump sums that can be paid during your life and upon your death.

This will apply to any tax-free lump sum (or tax-free part of a lump sum, as above), any serious ill health lump sum which may be paid if you have limited life expectancy as well as most lump sums paid to your spouse or dependants following your death.

## **How much LSA and LSDBA has a lump sum from the Rexam Pension Plan used?**

When a lump sum is paid to or in respect of you which counts towards your LSA and / or LSDBA, we will provide you with a statement telling you how much of the allowances you have used. It is important that you keep these statements for future reference.

## **Members who have previously registered for a higher LTA**

The standard LTA changed over time and certain individuals may have registered with HMRC for protections which entitled them to a higher LTA. If you hold a valid LTA protection you will retain the right to a higher level of tax-free lump sum, as well as to higher tax-free parts of lump sums and lump sum death benefits. If you have registered for any form of LTA protection and not informed us, please contact us to discuss further.

## **Members who had already used up all of their LTA before 6 April 2024**

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

## **Members who had used up some of their LTA before 6 April 2024**

Where some but not all of the LTA had been used before 6 April 2024, the default position will broadly be that 25% of the amount of LTA used is off set against the new allowances.

If you have accessed benefits before 6 April 2024 but did not take the maximum available amount (25%) tax-free cash, and you believe you may use up the remainder of your LSA, you may benefit from applying for a “transitional tax-free amount certificate” showing you have more LSA remaining than the default position described above. You will need to apply for this certificate before you first take any further pension benefits after 6 April 2024. Please contact us for more information.

## **Overseas transfers**

A new “overseas transfer allowance” will be introduced for transfers to a qualifying recognised overseas pension scheme (or “QROPS”), equal to the level of your LSDBA. An overseas transfer charge will apply on any excess.

## **Important notes**

Please note the above is just a summary. You can find more information at:

<https://www.gov.uk/government/publications/abolition-of-the-lifetime-allowance-from-6-april-2024/abolition-of-the-lifetime-allowance-lta#general-description-of-the-measure>

*The Trustee of the Rexam Pension Plan is not able to provide financial or tax advice. It is, therefore, strongly recommended that you consider if you need advice from an authorised independent financial adviser to make sure that any decision you make is the right one for you at the present time. You can find a financial adviser at the following website: <https://www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/find-a-retirement-adviser>. You should also remain alert to further changes and developments in this area. The summary above is information only and should not be read as advice.*