

Important note: Changes to the Lifetime and Annual Allowances

The Lifetime Allowance

The government has announced that from 6 April 2023 the lifetime allowance charge would be removed. The lifetime allowance will be fully abolished from the 2024/25 tax year.

The lifetime allowance framework therefore remains in place from 6 April 2023, and it is just the lifetime allowance charge that has been removed at this stage. The scheme will still need to continue to operate lifetime allowance checks when paying benefits (for example, assessing whether an individual has available lifetime allowance).

The Annual Allowances

From 6 April 2023 the standard annual allowance for tax relief on pension savings in a registered pension scheme will increase from £40,000 to £60,000.

The adjusted income limit will increase from £240,000 to £260,000. This means if a member's adjusted income is over £260,000, their annual allowance in the tax year may be reduced. For every £2 their adjusted income goes over £260,000, their annual allowance for the current tax year will reduce by £1. The minimum reduced annual allowance a member can have from 2023/24 onwards is £10,000. This has been increased from £4,000.

For the tax year 2023/24 onwards, the money purchase annual allowance limit will also increase from £4,000 to £10,000.

We recommend that before accessing any pension benefits you seek independent financial advice.