

Pensions and tax: The lifetime allowance

The lifetime allowance limits the amount of pension benefits you can build up in your lifetime before you become liable to pay an additional tax charge. The lifetime allowance tax charge was removed from 6 April 2023, and it was announced that the lifetime allowance will be removed completely from 6 April 2024.

However, because the work we have been doing on Guaranteed Minimum Pension (GMP) relates to historic pension payments, you may still incur a tax charge if the adjustment we've made to your pension causes you to breach the lifetime allowance that was applicable to you at the time you retired.

This document gives an overview of the lifetime allowance and how it may affect your pension benefits. Please read it carefully.

You should contact your Plan administrator if you have lifetime allowance protection, if you are eligible for lifetime allowance protection, or if you have used more than 95% of your lifetime allowance. If none of these things apply to you, you don't need to do anything.

The lifetime allowance

The lifetime allowance covers the total amount of pension benefits you build up over your working life and take when you retire.

It includes all your workplace pensions and any personal pensions you have. It does not include the State Pension.

The lifetime allowance was originally £1.5 million when it first came into effect on 6 April 2006. Over the years, it has gone up and down, ranging from £1 million to £1.8 million.

Before 6 April 2023, when you took your retirement benefits, they were measured against the lifetime allowance to check how much of it you had used up. This measurement may have been calculated in stages, depending on how you took your benefits. You may have triggered a lifetime allowance tax charge if the amount of your benefits was over your lifetime allowance.

Your GMP adjustment and the lifetime allowance

Although the lifetime allowance tax charge no longer applies, the adjustment to your pension as a result of GMP equalisation relates to historic pension payments before 6 April 2023 and may have caused you to breach the lifetime allowance that was applicable to you at the time you retired. If the GMP adjustment to your pension means you get a higher pension, a back payment, or both, this could still affect your position against the lifetime allowance and consequential tax charges.

You may have to pay extra tax

If the adjustment for GMP or a back payment takes your benefits over the lifetime allowance that was applicable to you at the time you retired, you may have to pay a lifetime allowance tax charge on the amount above the allowance. The tax charge is 25% of any pension income you receive over the allowance and you would have to pay this on top of the usual marginal rate of income tax that you pay on your pension.

Even if you have lifetime allowance protection, you might still have to pay a lifetime allowance tax charge if your GMP adjustment takes your benefits over your protected level of lifetime allowance.

Help and guidance



Important

The lifetime allowance is a complicated, technical subject and we have only given a high-level summary here. Nothing in this leaflet should be considered financial advice. You should consider taking independent financial advice from a regulated financial adviser if you are not sure how your GMP adjustment could affect your lifetime allowance position and give rise to tax charges.

You can find more information about the lifetime allowance on the government website at www.gov.uk/tax-on-your-private-pension/lifetime-allowance

You may want to consider hiring a regulated independent financial adviser to help you. Family and friends may be able to recommend advisers they use, or the following organisations can help you find an adviser (though they will not recommend individual advisers).

MoneyHelper

You can also find a directory of financial advisers that specialise in retirement on MoneyHelper at www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/find-a-retirement-adviser

The Personal Finance Society

The Personal Finance Society also has a searchable directory of financial advisers where you can filter to find advisers who specialise in pension advice at www.thepfs.org/about-us/what-we-do/for-the-public

Unbiased

Unbiased can provide contact details for professional advisers, including financial advisers in your area, at www.unbiased.co.uk/advisers

Once you find an adviser, you should check they appear on the Financial Conduct Authority's (FCA)'s financial services register at register.fca.org.uk/s

If they appear on the register, this means they are regulated and approved by the FCA. They must be qualified to Level 4 of the Qualifications and Credit Framework – equivalent to the first year of a university degree – and have a Statement of Professional Standing, which must be updated every year. Make sure you also ask your chosen adviser about their fees.

What you need to do

If you think your lifetime allowance may be affected by your GMP adjustment, please contact your Plan administrator.

Please remember that the administrator cannot provide you with advice or information about your lifetime allowance position and consequential tax charges, because the lifetime allowance covers all the pension benefits you receive.

Contact WTW if you're a member of The GSK Pension Plan, SmithKline Beecham Pension Plan or SmithKline Beecham Senior Executive Pension Plan.



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Write to: The GSK Pensions Administration Team,
WTW, PO Box 545, Redhill, Surrey, RH1 1YX

Contact Barnett Waddingham if you're a member of the Stiefel Section of the SmithKline Beecham Pension Plan (formerly the Stiefel Laboratories (UK) Limited Retirement Benefits Scheme).



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Email: Stiefel@barnett-waddingham.co.uk



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