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Fixed Protection (2012, 2014 and 2016)

Introduction

Fixed protection was introduced to limit the impact of the reduction in the standard lifetime allowance (LSA) that took effect from 6 April 2012. The lifetime allowance was abolished on 6 April 2024. This factsheet provides a brief overview of fixed protection.

Features

- Summary of the lump sum allowance (LSA) and the lump sum and death benefit allowance (LSDBA)
- Pension commencement lump sum (PCLS) entitlement
- How does the protection work?

Fixed Protection

Summary of the lifetime allowance

The lifetime allowance was introduced to restrict the tax advantages that can be gained by individuals saving for retirement through registered pension schemes. Any pension savings in excess of the lifetime allowance attracted a lifetime allowance charge.

Fixed protection was aimed at individuals with pension rights immediately prior to the reduction in the LTA in 2012 valued near to or above £1.5m.

The lifetime allowance was abolished on 6 April 2024. In its place, two new allowances were introduced:

Lump sum allowance (LSA): This limits the amount most people can take as a tax-free lump sum during their lifetime.

Lump sum and death benefit allowance (LSDBA): This limits the amount which can be taken as a tax-free lump sum during lifetime or following death before age 75.

How does the protection work?

The deadline for applying for this form of protection was 5 April 2012 and there was no condition on the value of the individual's pension rights as at that date. However, a successful application was only possible provided the individual did not have either enhanced or primary protection. HMRC can in exceptional circumstances, accept an application after 5 April 2012 by exercising its discretion under the relevant regulations.

Where an application for protection is made on or after 15 March 2023, certain events would prevent a successful application being

made or cause fixed protection to be lost e.g. benefit accrual after 5 April 2012. Under a money purchase arrangement that is not a cash balance arrangement e.g. a SIPP, benefit accrual results if a relevant contribution is paid. In the case of a defined benefit arrangement, benefit accrual occurs where the value of the benefits under the arrangement increase by more than the relevant percentage.

Other events that cause the loss of fixed protection are set out in page [PTM093400](#) in the pensions tax manual.

For protection applications made before 15 March 2023, the loss of protection rules, as from 6 April 2023, no longer apply.

Features

- Gives the holder an underpinned lifetime allowance (ULA). The ULA is £1.8m or the SLA if greater.
- The ULA replaces the SLA in all areas of the relevant legislation. This means that the PCLS permitted maximum is affected (see below for more details).
- At a benefit crystallisation event prior to 6 April 2023, the value of any pension rights in excess of the ULA suffered a lifetime allowance charge. From 6 April 2023, any pension rights in excess of the ULA don't attract a lifetime allowance charge.

PCLS entitlement

Those with fixed protection are entitled to receive a higher tax-free lump sum.

Pension commencement lump sum (PCLS) will be limited to the lower of 25% of the value of the pension at the point that they take benefits, and:

Fixed protection 2012: £450,000

Fixed protection 2014: £375,000

Fixed protection 2016: £312,500

Any contributions made to the pension on or after 06 April 2023 can be included for the purposes of calculating the PCLS for those clients that had the protection in place before 15 March 2023. If you applied for protection after 14 March 2023 would lose fixed protection 2016 by contributing.

Those with fixed protection also benefit from a higher LSDBA:

Fixed protection 2012: £1.8m

Fixed protection 2014: £1.5m

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