

# INFORM

Autumn Newsletter 2023



Could you  
benefit from the  
new Lifetime  
Allowance rules?

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# Budget changes are now **law**

As we reported in our Spring Inform Newsletter, the Chancellor, Jeremy Hunt, announced significant proposed changes to the rules regarding the pensions Lifetime Allowance and to the rules around tax-relievable pension contributions. These changes were confirmed with the passing into law of the Finance (No.2) Act 2023 on 11 July 2023.



## Lifetime Allowance

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It is important to stress that the Lifetime Allowance (LTA) still exists in the tax year 2023/24. The LTA is the overall amount of pension fund value that a scheme member can accumulate over their lifetime without a possible additional tax charge arising on its value. Currently, the standard LTA is £1,073,100. It has been confirmed in the Finance (No.2) Act 2023 that no LTA tax charges will be applicable from 6 April 2023 (effectively meaning that pension scheme members will not suffer an LTA tax charge in this current tax year). However, under certain circumstances, members (or their beneficiaries) will be subject to marginal rate tax on funds in excess of their available LTA. In the context of our SIPP and SSAS members, these circumstances are where the excess funds are paid out as:

- **Serious ill-health lump sums**
- **Uncrystallised funds lump sum death benefits**
- **Lifetime Allowance excess lump sums**

Scheme members should seek advice from their advisers regarding the potential impact of these tax charges in order to obtain guidance on, for example, whether or not they should crystallise funds

remaining within their schemes, whether or not to take any excess as income rather than as a lump sum and so on.

It is also important to note that, in the event of the scheme member dying before their 75th birthday, recipients of the resulting death benefits will suffer marginal rate tax on the payment if there are uncrystallised funds in excess of the deceased member's LTA and these are paid out as a lump sum.

Prior to 6 April 2023, if a member died and his/her uncrystallised funds meant he/she was over their available LTA there was an LTA tax charge on the excess. That LTA charge is now replaced by income tax at the recipient's marginal rate of tax, as noted above.

It has also been confirmed that a scheme member's maximum Pension Commencement Lump Sum (PCLS) will be £268,275 (25% of £1,073,100) regardless of whether or not his/her pension fund value is greater than £1,073,100 and that this figure will be frozen for future years. However, if a scheme member has a greater PCLS entitlement arising from an earlier form of protection, this will continue to apply.



## LTA Protections

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**As noted above, the standard LTA is £1,073,100. Historically, the LTA has varied, having peaked at £1.8 million in the 2010/11 and 2011/12 tax years.**

However, various forms of “protection” exist to mitigate the effects of the LTA for those members who would have been adversely affected by downward revisions to the LTA when these took place.

Given that the LTA still exists in this current tax year, members who have the benefit of protection will still be able to take advantage of that protection and it can still be a very valuable benefit because it can provide an LTA that is higher than the current standard LTA.

This is important, not only in relation to any potential marginal rate tax on funds in excess of the member’s LTA (as outlined above), but also in relation to PCLS that a member can take; you must have available LTA in order to take PCLS.

## Pension contributions and protections

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Historically, and depending on which type(s) of protection a member had, there was a condition attaching which meant that any new pension contributions would “break” the protection after it had been granted by HMRC.

As a result of the change in legislation, those members who had applied for, and had been granted by HMRC, protection prior to 15 March 2023 (Budget day) may now make new pension contributions without causing a loss of the protection. However, depending on your circumstances, new pension contributions might not increase your entitlement to PCLS and you should seek advice from your adviser about your position specifically.



## Annual Allowance, Money Purchase Annual Allowance and Tapered Annual Allowance

In addition to the above, the increases to the amounts of pension contributions that can potentially be made in a tax-relievable manner have been confirmed. The Annual Allowance (AA) is now £60,000. For a number of years, it had been £40,000.

The Money Purchase Annual Allowance (MPAA) affects those scheme members who have flexibly accessed their pensions by taking an income (rather than just PCLS) from the fund. It was designed to deter people from recycling pension drawdown income back into pensions and, in recent years, it had been set at £4,000 per annum. This is now £10,000 per annum from 6 April 2023, meaning that potentially higher contributions can be paid than was previously the case.

The Tapered Annual Allowance (TAA) affects those scheme members whose earnings exceed a certain “threshold income” figure and whose “adjusted

earnings” also exceed a certain (but different) figure. The TAA was designed to restrict the amount of tax-relievable pension contributions that a higher earner could pay in / have paid into a pension scheme. From 6 April 2023, whilst the threshold income figure has stayed the same (at £200,000), the adjusted income figure has increased to £260,000 meaning that fewer people may be impacted by an AA tax charge based on their earnings. In addition, the minimum TAA for those scheme members affected has increased from £4,000 to £10,000 per annum. Hence, someone affected by the TAA, will have an available AA of at least £10,000 in that tax year.

### COMMENT

**Many of our scheme members could now benefit from the changes outlined above, but care should be taken regarding any funds that a member has in excess of their available LTA.**



## Proposed abolition of the LTA

**As noted above, the LTA still exists in the current tax year. The Chancellor also proposed in the Spring Budget 2023 the complete abolition of the LTA from 6 April 2024.**

The complete abolition of the LTA from the pensions system will require a substantial re-writing of the legislation. As a result, HMRC began a major consultation process by issuing a Policy Paper on 18 July 2023. It is too early to tell exactly what the legislative framework will look like from 6 April 2024,

but the Policy Paper proposes that “authorised lump sums and lump sum death benefits will be tested against a new threshold, set at the same level as the present Lifetime Allowance, £1,073,100. Individuals will not pay tax where lump sums do not take them above this level. Any lump sums paid above this level will be taxed at the individuals’ or beneficiaries’ marginal rate.”

**We will, of course, keep you informed of developments in future newsletters.**

## Dentons’ secure web SIPP Portal

**We continually review the functionality of our SIPP Portal and the information available to clients.**

Since our last newsletter, as we strive to reduce the amount of paperwork issued to you through the post, we have introduced a ‘Member document’ section on the portal. This is where individuals can now view their annual financial statements including statutory money purchase illustrations, Dentons’ fee invoices, payslips for those taking benefits and P60’s, in addition to bank statements and a range of general SIPP documents such as fee schedules and terms of business.

You will also be able to see the date of your ‘expression of wishes’ to ensure you keep this important document up-to-date.

However, for individuals who are unable to view their documents online, we will continue to post these to you. Please contact your Pension Administrator if this is the case.

**Currently, you have access to key information including:**

- > a list of all current assets with valuation dates
- > daily valuation of the default Cater Allen cash bank account
- > daily valuation downloads
- > contributions made during the current tax year and each tax year from 2017/18
- > transfers into and out of the SIPP
- > benefits taken - with details of uncrystallised funds pension lump sum (UFPLS), flexi-access drawdown or capped drawdown
- > view all SIPP documentation including bank statements, trust deeds, benefit reviews and annual statements

**Register for the portal on our website:**

**[www.dentonspensions.co.uk/dentonsportal/Register.aspx](http://www.dentonspensions.co.uk/dentonsportal/Register.aspx)**



## Energy performance certificate ratings (EPC)

**Over 40% of our pension schemes hold commercial property within the self invested pension (SIPP and SSAS).**

From April this year, the minimum energy efficiency standard for commercial property was set at an 'E' rating.

By 31 December 2025, the minimum rating for new tenancies in the UK will be increasing to at least a 'C', and the same requirement will apply to existing tenancies with effect from 2028.

Non-compliance in this matter could result in significant fines – excluding rare cases when landlords can prove exemption.

As such, landlords are exclusively responsible for carrying out enhancements on their properties to get their certificates in the right margins before the deadline. Any expenses related to this cannot be passed onto tenants, but they may be partially recovered through government schemes or service charges.

## Pensions Dashboard update

Following our previous mention of the Pensions dashboard in our Spring newsletter, the deadline for relevant pension schemes to have completed their connection has been extended to 31 October 2026. As a reminder, the pensions dashboard will eventually enable individuals to access their pensions information securely online in one place.

## Consumer Duty

**"A new Consumer Duty... will set higher expectations for the standard of care firms give consumers." (source: Financial Conduct Authority (FCA)).**

We have been working on the implementation of the new rules under Consumer Duty. The new rules came into effect on 31 July 2023.

As an example of some of the work we've undertaken on this, any prospective new client of Dentons whose investment needs will be met solely by a single investment platform or fund manager (from a pre-accepted list) will be offered the Sippchoice Bespoke SIPP product only. Those

clients whose investment needs extend beyond a single platform / fund manager will be offered the full asset range Dentons SIPP only.

We have also published on our website our Fair Value Assessment Statement, which can be viewed here; [www.dentonspensions.co.uk/dpml/media/Dentons-Pensions-Literature/General/Fair-Value-Assessment.pdf?ext=.pdf](https://www.dentonspensions.co.uk/dpml/media/Dentons-Pensions-Literature/General/Fair-Value-Assessment.pdf?ext=.pdf)

We will be communicating further with our clients and introducers in the form of ad-hoc surveys, so please watch-out for these and please do respond if possible.



## 2024 – Dentons celebrates 45 years as a self invested pension provider!

From our humble beginnings offering SSAS only, and introducing SIPPs in 1996, Dentons has continued to grow over the years and expand its business into related areas such as conveyancing, mortgages and will writing. If you'd like to find out more about any of these services, please contact Sales Support.

## Company news

### Exam success

At Dentons, we actively encourage and support our members of staff to engage in educational and continuing professional development to enrich and enhance their careers at Dentons. The following colleagues have recently celebrated exam success:

#### Holly Andrew

- Promoted to Sales Support Manager

#### Kate Cheeseman (Senior Pensions Consultant)

- AF1 Taxation and trusts

#### Fay Govett (Pensions Manager/ Fairmount)

- RO4 Pensions

#### Mike Fielding (Pensions Administrator)

- CF1 UK Financial Services, Regulation and Ethics

### A number of Pension Administrators have also passed FA2 Pensions Administration qualification:

- Bill Scott-Malden
- Emily Gamble
- Holly Andrew
- Sian Rauch



Thank you for taking the time to read this Newsletter. If there are any subjects, you'd like us to cover in future publications, please do let us know through your dedicated Dentons point of contact.

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## CONTACT US

**For more information about any of the subject matters raised in this Update, please contact us.**

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## UPDATE YOUR DETAILS

**If you move home, change your name or other personal details; please contact us as soon as possible by email to your Administrator or [enquiries@dentonspensions.co.uk](mailto:enquiries@dentonspensions.co.uk) to ensure we keep your records up-to-date.**

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