

# Inform

## In this issue:

- › The standard lifetime allowance
- › Annual allowance, tapered annual allowance & carry forward
- › Scams & Cyber security
- › Happy 25th birthday to Dentons SIPP
- › Financial Adviser Service Awards

If there are any subjects that you would like to see discussed, please contact us.

## The standard lifetime allowance

The lifetime allowance is the overall amount of pension savings that you can put into payment (crystallise) without incurring a tax charge. The standard lifetime allowance for tax year 2021/22 is £1.0731 million. In fact, it has been frozen at this level until 5 April 2026.

Any amount of your pension savings that you crystallise above the lifetime allowance is subject to a lifetime allowance tax charge of 25% if paid as regular income, such as drawdown, or 55% if paid as a lump sum.

In order to avoid a tax charge on your pension savings, you, or your financial adviser if you have one, should closely monitor all your pensions to ensure you avoid or minimise any potential impact of the lifetime allowance. You may have already sought and obtained protection against the effects of the lifetime allowance and changes to it over the years.

There are currently two types of lifetime allowance protection still available - Individual Protection 2016 and Fixed Protection 2016. You can apply for either of these online to HMRC - <https://www.gov.uk/guidance/pensionschemes-protect-your-lifetime-allowance>.

Lifetime allowance protection can be a very complex subject and you should speak to your financial adviser for advice, if you have one,

or your Dentons Pension Consultant can help with factual information.

You can view your Dentons SIPP information, which shows the information we hold on your status for protection and drawdown, through our online portal.

### Dentons Online Portal

Our online portal enables you to view details of your SIPP account at a time that suits you.

It includes an overview of the assets held, daily valuation of the default Cater Allen cash account, daily download valuation feeds from various platforms, along with information on contributions, transfers and benefits.

# Annual allowance and carry forward of unused annual allowance

Under carry forward rules, it may be possible to make pension contributions above the annual allowance (currently £40,000 per annum) by carrying forward unused annual allowance from the previous three complete tax years.

However, there are some circumstances where a full annual allowance of £40,000 is not available to members.

Please note: that carry forward of unused annual allowance is not available in any tax year in which the member was not a member of a registered pension scheme:

## Money purchase annual allowance

If you are subject to the "money purchase annual allowance" (MPAA) as a result of drawing income under flexi-access drawdown or taking uncrystallised funds pension lump sums (UFPLS), tax relievable contributions are limited to £4,000 pa and carry forward is not available (even if you had not been subject to the MPAA in the previous three complete tax years).

## Tapered annual allowance

The "tapered annual allowance" is different but can also affect tax relievable pension contributions. If your "adjusted income"\* exceeds £240,000 and your "threshold income"\*\* exceeds £200,000 then you will be subject to a tapered annual allowance for that tax year. The tapered annual allowance does not apply if your "threshold income" for a tax year is £200,000 or less even if you have adjusted income of £240,000 or more. If your threshold income exceeds £200,000 and you

have an adjusted income of £312,000 or more in a tax year, you will have a tapered annual allowance for that tax year of £4,000. This means the carry forward available will be based on the tapered annual allowance.

The tapered annual allowance was introduced with effect from 6 April 2016 which means that any or all of the previous three completed tax years (2020/21, 2019/20 and 2018/19) could be affected by it for high earners. It is important, therefore, that you seek guidance on what allowances you are entitled to – not only if you are thinking about using carry forward, but also simply in terms of current year pension contributions; you may be restricted to less than £40,000 contribution because of your earnings and / or drawing benefits flexibly from a pension scheme.

\*Adjusted income includes the member's earnings, dividends, interest on savings and pension contributions (including those made as a result of a salary sacrifice or similar arrangement). For every £2 of adjusted income over £240,000 the annual allowance is reduced by £1 down to a minimum level of

£4,000 (i.e. the maximum reduction to the current annual allowance of £40,000 is £36,000).

\*\*Threshold income is broadly similar to adjusted income except that pension contributions that entitle the Member to Relief at Source and employer contributions resulting from a salary sacrifice (or similar arrangement) made before 9 July 2015 are excluded.

## Tax relief is different from annual allowance

You should also be aware that tax relief for personal (as opposed to employer) contributions in a tax year (including any carry forward) would only be available on the full amount provided your pensionable earnings in that tax year are at least equal to the gross amount of those personal contributions. For example, if your total gross personal contributions in a tax year were £50,000 (i.e. a net contribution of £40,000 and £10,000 basic rate tax credit) your pensionable earnings in that tax year would need to be at least £50,000.

Separately, you need to establish whether you have an available annual allowance of £50,000.







# Scams and cyber security

## Pension transfers

Scams involving pension scheme members (and pension transfers) are, sadly, an all-too-common occurrence these days. In relation to pension transfers specifically, The Pension Scams Industry Group (PSIG) have stated:

“Most pension transfers are legitimate and can proceed with minimum intervention. However, PSIG estimates 5% of all transfer requests give trustees and scheme managers cause for concern”.

In an effort to combat pension scams, the Government has taken action.

The Pension Schemes Act 2021 received Royal Assent on 11 February 2021 and passed into law. Amongst a number of other things, it introduced new regulations that trustees and administrators of pension schemes must follow when dealing with transfer-out requests from schemes on or after 30 November 2021.

In brief, the transferring schemes must conduct due diligence on the receiving scheme.

In some cases, the scheme member will have to consult MoneyHelper (part of The Money and Pensions Service (MaPS)) prior to the transfer-out progressing. However, the transfer-out itself might still be refused by the transferring scheme if it is believed that there are sufficient grounds to do so (a so-called “red flag” of some kind).

This may mean that pension transfers into your Dentons SIPP or SSAS might take longer than was previously the case whilst the due diligence checks are undertaken by the transferring scheme. Equally, transfers out from your Dentons SIPP or SSAS may also take longer as we conduct the necessary due diligence on the receiving scheme.

Although this may be frustrating in some cases, the new rules have been put in place to try to help protect scheme members from scammers.

## Cyber security

For all our staff, especially our field-based colleagues who work remotely, we have introduced two factor authentication. This means that, as well as logging into our secure systems through the use of a secure

password, remote staff members must also supply additional rolling login credentials each time they login.

These measures combined will hopefully keep Dentons at the forefront of technology and the ever-evolving threats posed by scammers and cyber-criminals.

Dentons has achieved accreditation (Certificate number IASME-CE-025937) from Cyber Essentials for best practice to protect the company from cyber-attacks.

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# Happy 25th birthday to Dentons SIPP!

Dentons SIPP reached a milestone anniversary in 2021; the Dentons SIPP, which was launched in 1996, became 25 years old. Another notable silver anniversary in 2021 included The Spice Girls' chart hit "Wannabe"!

The concept of a SIPP was initially unveiled in 1989 by the then Chancellor, Nigel Lawson, (whose tenure as Chancellor did not extend quite to 1996) and since then, a number of key events have seen the growth in popularity. These include the introduction of income drawdown in 1995, pensions A-day in 2006 and the introduction of pension freedoms in 2015.

1996 was an interesting year for more than just the launch of the Dentons' SIPP:

- The average house price in the UK was £105,327. In mid-2021 it was £262,954
- The average salary was £13,777. In 2020 it was £31,461
- Braveheart won best film at the Oscars
- Richard Krajicek and Steffi Graf won the singles titles at Wimbledon
- Germany won Euro '96 Championship
- A Fredo was 10p
- The most watched TV programme in 1996 was Only Fools and Horses Christmas special

At the end of December 2021, Dentons Pensions had over 100 employees, in excess of 7,800 SIPPs, over 1,300 SSAS, £7.5bn in assets under administration and over 3,000 properties that are administered on behalf of SIPP and SSAS clients.

## Financial Adviser Service Awards

In late November 2021 we were delighted to announce that we've been awarded our ninth 5 star award in ten years at the Financial Adviser Service Awards.

This award is voted for by financial advisers and we are proud to say that we are the only bespoke SIPP provider to receive nine 5 star ratings over recent years.

Throughout the pandemic, Dentons has continuously been available for clients and advisers to call or email us, and to receive the same high levels of support and quick turnaround times they have become used to. For us, it has been important for us to keep regular contact with our introducers and we've delivered a range of webinars, industry updates and training sessions.



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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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