

## Fixed and Individual Protection 2016

A look at FP and IP 2016, in terms of what each protection offers, the criteria for applying and implications.

### Key Points



The lifetime allowance is £1,073,100 (2020/21) and increases annually in line with the Consumer Price Index (CPI).



Two forms of protection have been available since 6 April 2016. Both can still be applied for providing the eligibility criteria can be met.



Fixed Protection 2016 (or FP16) – protects benefits up to £1.25m.



Individual Protection 2016 (or IP16) protects benefits up to an individual's protected lifetime allowance (dependent on the value as at 5 April 2016) between £1m and £1.25m.

### What are the features of both FP16 and IP16?

	<b>FIXED PROTECTION 2016</b>	<b>INDIVIDUAL PROTECTION 2016</b>
<b>Eligibility</b>	<p><b>Individuals must not:</b></p> <ul style="list-style-type: none"> <li>Have made any contributions (either individual or by their employer) or had any relevant benefit accrual since 5 April 2016</li> <li>Have either Primary or Enhanced Protection, Fixed Protection 2012 or Fixed Protection 2014</li> </ul>	<p><b>Individuals must:</b></p> <ul style="list-style-type: none"> <li>Have benefits of more than £1m as at 5 April 2016</li> <li>Not have either Primary Protection or Individual Protection 2014</li> </ul>
<b>How much is protected?</b>	Protects benefits up to £1.25m.	Protects total benefits up to an individual's protected lifetime allowance, (as valued at 5 April 2016) between £1m and £1.25m.
<b>Can contributions continue?</b>	No, any relevant contributions or further benefit accrual must cease from 5 April 2016.	Yes – individuals can continue to build benefits without the loss of IP16. Although IP16 only covers benefits up to the individual's protected amount.

<p><b>Do pension benefits need valuing?</b></p>	<p>No – benefits do not need to be valued for FP16 – although only benefits up to £1.25m will be protected.</p>	<p>Yes – benefits will need to be valued as at 5 April 2016 and will include;</p> <ul style="list-style-type: none"> <li>• Any benefits that came into payment pre 6 April 2006; and</li> <li>• Post 5 April 2006 benefits (both uncrystallised and crystallised)</li> </ul>
<p><b>Can protection be lost?</b></p>	<p>Yes – can be lost if:</p> <ul style="list-style-type: none"> <li>• A new arrangement has been started (other than to accept transfer of existing pension rights)</li> <li>• Making further contributions or benefit accrual</li> <li>• Certain transfers (for example, which are impermissible or not permitted)</li> </ul> <p>Where protection is lost, the member will be required to notify HMRC within 90 days of first reasonably being expected to know that their protection no longer applies.</p> <p>Where a member fails to do this, there are penalties of up to £300 for failure to notify and daily penalties of up to £60 per day after the initial penalty is raised.</p>	<p>Yes – if a pension debit (post 5 April 2016) reduces the individual's benefits to under £1m.</p> <p>The member needs to notify HMRC within 60 days of the date of the discharge notice related to the pension debit or they may face fines.</p> <p>Where benefits, as a result of the pension debit, are reduced but are still over £1m, then a replacement reference number will be issued in respect of the new lower amount.</p>
<p><b>Can both protections apply?</b></p>	<p>Yes – providing pension benefits are at least £1m as at 5 April 2016 and no contributions are made or any benefit accrual from 6 April 2016.</p> <p>Although both protections will apply, if any of the criteria that results in Fixed Protection 2016 being lost then only Individual Protection 2016 will apply.</p>	
<p><b>What is the application process?</b></p>	<p>There is no deadline to apply for either FP16 or IP16, although the above criteria will still apply.</p> <p>These can be applied for online.</p>	

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