

Group Life Assurance

Lifetime allowance and benefit protection

How it Work

Product Information

Lifetime allowance &
benefit protection

Background

Tax is payable if an individual's pension pot exceeds the lifetime allowance or any other level of protection granted.

A lump sum death in service benefit paid out under a registered arrangement is included in the calculation of an individual's pension pot.

Notes

These benefits are excluded from an individual's pension pot:

- death in service pension benefits
- lump sum benefits insured under either an 'excepted' group life policy or an 'individual relevant' life policy

Legal and taxation advice

The information provided in this document provides our understanding of the current legislation. We recommend that separate advice is always taken as we are unable to provide this.

Lifetime allowance

This is the pre-set value which applies to the majority of those who will be insured for life assurance benefits under a registered arrangement.

With effect from April 2018 to 2021 the lifetime allowance increased in line with the Consumer Price Index. From the 6 April 2021 the UK Government have chosen to freeze the value for at least 5 years.

Lifetime allowance values

Tax Year	Monetary value
2006/7	£1,500,000
2007/8	£1,600,000
2008/9	£1,650,000
2009/10	£1,750,000
2010/11	£1,800,000
2011/12	£1,800,000
2012/13	£1,500,000
2013/14	£1,500,000
2014/15	£1,250,000
2015/16	£1,250,000
2016/17	£1,000,000
2017/18	£1,000,000
2018/19	£1,030,000
2019/20	£1,055,000
2020/21	£1,073,000
2021*	£1,078,900

* The UK Government fixed the allowance in 2021 until 6 April 2026

Protection

Since 2006 various different methods of protecting an individual's pension pot from taxation, using pre-set values, have been offered by the HMRC.

The aim of these is to allow individuals who have pension pots in excess of the lifetime allowance to maintain the value of these without being liable to the new taxation.

The protections which have been made available are:

- Primary protection
- Enhanced protection
- Fixed protection (2012)
- Individual protection 2014
- Fixed protection 2014
- Fixed protection 2016 (FP2016)
- Individual protection 2016 (IP2016)

Can protection be lost?

Protection can be lost in a number of ways. The most relevant to group life assurance benefits is that it will normally be lost if the individual, with the protection, joins a different registered arrangement after being granted some form of protection.

Notes

Canada Life's Master Trust is a registered arrangement.

General information

Below are links to useful government websites:

- [Tax on your private pension contributions](#)
- [Information about the Allowance protections available prior 2016](#)
- [FP2016 and IP 2016](#)

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