



Finance Act 2004

2004 CHAPTER 12

PART 4

PENSION SCHEMES ETC

CHAPTER 5

REGISTERED PENSION SCHEMES: TAX CHARGES

Lifetime allowance charge

218 Individual's lifetime allowance and standard lifetime allowance

- (1) Subject as follows, the individual's lifetime allowance is the standard lifetime allowance.
- [^{F1}(2) The standard lifetime allowance for the tax years 2016-17 and 2017-18 is £1,000,000.
- (2A) The standard lifetime allowance for any later tax year ("the subsequent tax year") is the same as the standard lifetime allowance for the tax year immediately preceding the subsequent tax year, unless subsection (2C) provides for it to be higher.
- (2B) Subsection (2C) applies if—
 - (a) the consumer prices index for the month of September in any tax year ("the prior tax year") is higher than it was for the previous September, and
 - (b) the prior tax year is the tax year 2017-18 or a later tax year.
- (2C) The standard lifetime allowance for the tax year following the prior tax year is the standard lifetime allowance for the prior tax year—
 - (a) increased by the percentage increase in the index, and
 - (b) if the result is not a multiple of £100, rounded up to the nearest amount which is such a multiple.

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- (2D) The Treasury must before the tax year 2018-19, and before each subsequent tax year, make regulations specifying the amount given by subsections (2A) to (2C) as the standard lifetime allowance for the tax year concerned.]
- (4) Where one or more lifetime allowance enhancement factors operate in relation to a benefit crystallisation event occurring in relation to the individual, the individual's lifetime allowance at the time of the benefit crystallisation event is—

$$SLA + (SLA \times LAEF)$$

where—

SLA is the standard lifetime allowance at the time of the benefit crystallisation event, and

LAEF is the lifetime allowance enhancement factor which operates with respect to the benefit crystallisation event and the individual or (where more than one so operates) the aggregate of them.

- (5) The following make provision for the operation of lifetime allowance enhancement factors—
- section 220 (pension credits from previously crystallised rights),
 - sections 221 to 223 (individuals who are not always relevant UK individuals),
 - sections 224 to 226 (transfers from recognised overseas pension schemes),
 - paragraphs 7 to 11 of Schedule 36 (primary protection), and
 - paragraph 18 of that Schedule (pre-commencement pension credits).
- [^{F2}(5A) Where the operation of a lifetime allowance enhancement factor is provided for by any of sections 220, 222, 223 and 224 and the time mentioned in the definition of SLA in the section concerned was before 6 April 2012, subsection (4) has effect as if the amount to be multiplied by LAEF were £1,800,000 (the standard lifetime allowance for the tax year 2011-12) if that is greater than SLA.
- (5B) Where the operation of a lifetime allowance enhancement factor is provided for by paragraph 7 of Schedule 36, subsection (4) has effect as if SLA were £1,800,000 (the standard lifetime allowance for the tax year 2011-12) if that is greater than SLA.
- [Where the operation of a lifetime allowance enhancement factor is provided for by
- ^{F3}(5BA) any of sections 220, 222, 223 and 224 and the time mentioned in the definition of SLA in the section concerned fell within the period consisting of the tax year 2012-13 and the tax year 2013-14, subsection (4) has effect as if the amount to be multiplied by LAEF were £1,500,000 if that is greater than SLA.
- (5BB) Where more than one lifetime allowance enhancement factor operates, subsection (5BA) does not apply if subsection (5A) or (5B) applies.]
- [Where the operation of a lifetime allowance enhancement factor is provided for by
- ^{F4}(5BC) any of sections 220, 222, 223 and 224 and the time mentioned in the definition of SLA in the section concerned fell within the period consisting of the tax year 2014-15 and the tax year 2015-16, subsection (4) has effect as if the amount to be multiplied by LAEF were £1,250,000 if that is greater than SLA.
- (5BD) Where more than one lifetime allowance enhancement factor operates, subsection (5BC) does not apply if any of subsections (5A), (5B) and (5BA) applies.]

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(5C) Where benefit crystallisation event 7 occurs on or after 6 April 2012 by reason of the payment of a relevant lump sum death benefit in respect of the death of the individual before that date, the standard lifetime allowance at the time of the benefit crystallisation event is £1,800,000 (the standard lifetime allowance for the tax year 2011-12).]

[^{F5}(5D) Where benefit crystallisation event 7 occurs on or after 6 April 2014 by reason of the payment of a relevant lump sum death benefit in respect of the death of the individual during the period consisting of the tax year 2012-13 and the tax year 2013-14, the standard lifetime allowance at the time of the benefit crystallisation event is £1,500,000.]

[^{F6}(5E) Where benefit crystallisation event 7 occurs on or after 6 April 2016 by reason of the payment of a relevant lump sum death benefit in respect of the death of the individual during the period consisting of the tax year 2014-15 and the tax year 2015-16, the standard lifetime allowance at the time of the benefit crystallisation event is £1,250,000.]

[^{F7}(5F) Where—

- (a) benefit crystallisation event 5C occurs by reason of the designation on or after 6 April 2015 of sums or assets held for the purposes of an arrangement relating to the individual, and
- (b) the individual died before 6 April 2012,

the standard lifetime allowance at the time of the benefit crystallisation event is £1,800,000.

(5G) Where—

- (a) benefit crystallisation event 5C occurs by reason of the designation on or after 6 April 2015 of sums or assets held for the purposes of an arrangement relating to the individual, and
- (b) the individual died in the period consisting of the tax year 2012-13 and the tax year 2013-14,

the standard lifetime allowance at the time of the benefit crystallisation event is £1,500,000.

(5H) Where—

- (a) benefit crystallisation event 5C occurs by reason of the designation on or after 6 April 2016 of sums or assets held for the purposes of an arrangement relating to the individual, and
- (b) the individual died in the period consisting of the tax year 2014-15 and the tax year 2015-16,

the standard lifetime allowance at the time of the benefit crystallisation event is £1,250,000.

(5I) Where—

- (a) benefit crystallisation event 5D occurs by reason of a person becoming entitled on or after 6 April 2016 to an annuity in respect of the individual, and
- (b) the individual died in the period beginning with 3 December 2014 and ending with 5 April 2016,

the standard lifetime allowance at the time of the benefit crystallisation event is £1,250,000.]

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- (6) Paragraph 19 of that Schedule makes provision for the reduction of what would otherwise be the individual's lifetime allowance in certain cases where the individual is permitted to take pension before normal minimum pension age.
- (7) In this Part references (however expressed) to a person's lifetime allowance at any time are to what would be the person's lifetime allowance, calculated in accordance with this section, if a benefit crystallisation event occurred in relation to the person at that time.

Textual Amendments

- F1** S. 218(2)-(2D) substituted for s. 218(2)(3) (with effect in accordance with s. 19(8) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 19\(2\)](#)
- F2** S. 218(5A)-(5C) inserted (with effect in accordance with Sch. 18 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\), Sch. 18 para. 2\(3\)](#)
- F3** S. 218(5BA)(5BB) inserted (with effect in accordance with Sch. 22 para. 6(4) of the amending Act) by [Finance Act 2013 \(c. 29\), Sch. 22 para. 6\(2\)](#)
- F4** S. 218(5BC)(5BD) inserted (with effect in accordance with s. 19(8) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 19\(3\)](#)
- F5** S. 218(5D) inserted (with effect in accordance with Sch. 22 para. 6(4) of the amending Act) by [Finance Act 2013 \(c. 29\), Sch. 22 para. 6\(3\)](#)
- F6** S. 218(5E) inserted (with effect in accordance with s. 19(8) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 19\(4\)](#)
- F7** S. 218(5F)-(5I) inserted (6.4.2015 retrospectively for specified purposes and at 6.4.2016 retrospectively in so far as not already in force in accordance with s. 19(9)) by [Finance Act 2016 \(c. 24\), s. 19\(5\)](#)

Modifications etc. (not altering text)

- C16** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\), s. 284\(1\), Sch. 31 para. 11](#) (with [Sch. 36](#)))
- C17** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\), regs. 1\(1\), 5-11](#)
- C18** S. 218 applied (1.6.2018) by [The Local Government Pension Scheme \(Scotland\) Regulations 2018 \(S.S.I. 2018/141\), regs. 1\(1\), 48\(2\)](#)
- C19** S. 218(2C)(2D) excluded (6.4.2021 for the tax years 2021-22, 2022-23, 2023-24, 2024-25 and 2025-26) by [Finance Act 2021 \(c. 26\), s. 28](#)

Commencement Information

- I1** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 236ZA inserted by [S.I. 2024/357 art. 2\(2\)](#)