



Pension schemes newsletter 152

HM Revenue & Customs (HMRC) has published [Pension schemes newsletter 152](#) which, amongst other things, covers what is to be in the Finance Bill 2023-2024 on the abolition of the Lifetime Allowance (LTA).

Certain changes have already been made by the Finance (No.2) Act 2023 to remove the LTA tax charge from 6 April 2023, but further changes are required before the LTA can be removed entirely from the pensions tax legislation. The newsletter gives a brief description of some of the further changes that are to be made and welcomes responses from all stakeholders on specific areas including where the draft legislation could have unintended impact.

Finance (No. 2) Act 2023

The [Finance \(No.2\) Act 2023](#) received Royal Assent on 11 July 2023, bringing into force the changes to the pension tax legislation which were announced in the Spring Budget 2023 (see [PATHways 146](#)). The final legislation includes an amendment to the Finance Bill to deal with an initial drafting error in relation to stand-alone lump sums.

Draft legislation for the Finance Bill 2023-2024

Draft legislation has been published for technical consultation before the Finance Bill 2023-24 is introduced to Parliament, including [abolition of the LTA](#). It is expected that the proposed changes will include:

- removal of the LTA (and the lifetime allowance excess lump sum) from 6 April 2024
- introduction of a maximum tax-free lump sum allowance of £268,275 and an overall tax-free limit for authorised lump sums and lump sum death benefits of £1,073,100, except where a higher protected amount applies
- any excess lump sum being taxed at the member's or beneficiary's marginal rate of tax
- neither the lump sum allowance nor lump sum and death benefit allowance are affected by any pension paid to or in respect of the member
- LTA protection continuing to apply for tax-free lump sum purposes, except for the removal of certain LTA enhancement factors, with a deadline of 5 April 2025 for applying for Fixed Protection or Individual Protection 2016
- removal of most of the benefit crystallisation events (BCEs) from 6 April 2024

Mansion House speech

In the latest annual [Mansion House speech](#), the Chancellor of the Exchequer announced plans to enable the financial services sector 'to increase returns for pensioners, improve outcomes for investors and unlock capital for our growth businesses'. Following that speech, the following pensions-related documents were published:

- consultation on [Helping savers understand their pension choices](#), including responses to a call for evidence in 2022 (see [PATHways 137](#))
- consultation on [Ending the proliferation of deferred small pots](#)
- call for evidence on [How defined benefit schemes could use their assets more flexibly](#)
- call for evidence on [Pension trustee skills, capability and culture](#)

The closing date for responses to all the above is 5 September 2023.

Responses to DWP consultations

Responses have been published on two Department for Work and Pensions (DWP) consultations (see [PATHways 144](#)) – one on deferred small pots and the other on value for money (VFM) in defined contribution (DC) schemes.

Deferred small pots

The [response](#) includes a further consultation (see above) which has been launched to gather additional views and evidence on the proposed automated consolidation which will enable a small number of authorised schemes to act as consolidators for deferred small pots.

DC value for money

The [response](#) confirms that a VFM framework for DC schemes will go ahead. The VFM framework will be implemented in phases and there will be further engagement with the industry to ensure that schemes, providers and employers are as prepared as possible. Primary legislation will be required to implement the deferred small pots and VFM frameworks. This will be followed by regulations setting out the detail, which are expected to be published for consultation in due course.

Pensions Dashboards (Amendment) Regulations 2023

The [Pensions Dashboards \(Amendment\) Regulations 2023](#) were made on 19 July 2023 and will come into force on 9 August 2023. These make amendments to the [Pensions Dashboards Regulations 2022](#) to introduce a single connection deadline of 31 October 2026 (see [PATHways 149](#)) for in-scope schemes to connect to pensions dashboards, and remove the staging profile, staging deadlines, connection windows and the concept of early connection.

FCA Consumer Duty

The Financial Conduct Authority's (FCA) [Consumer Duty](#) came into force on 31 July 2023 and is intended to set higher and clearer standards of consumer protection across financial services and require FCA-regulated firms to put their customer's needs first. FCA-regulated firms that determine or materially influence retail customer outcomes have obligations under the Consumer Duty in relation to the third-party administration of trust-based occupational pension schemes i.e. to the scheme members and beneficiaries as the ultimate retail customers.

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