

FACT SHEET

ENHANCED PROTECTION

APPROVED FOR CLIENT USE | APRIL 2025



The pension protection rules are very complicated. We recommend that you speak to an adviser if you are affected.

Definitions

What is A-Day?

6 April 2006 is often known as A-Day. It was the date on which multiple existing pension tax systems were overhauled and replaced with a new, single set of rules. It was the date on which the annual allowance and lifetime allowance were originally introduced. The lifetime allowance was abolished on 6 April 2024 and replaced with two new allowances:

- Lump Sum Allowance (LSA): This limits the amount most people can take as a tax-free lump sum during their lifetime.
- Lump Sum and Death Benefit Allowance (LSDBA): This limits the amount which can be taken as a tax-free lump sum during lifetime or following death before age 75.

Many people had accrued larger pensions under the pre A-Day rules and prior to the removal of the lifetime allowance, and it would have been unfair for them to face a potentially significant charge simply because the rules changed. This principle has resulted in various forms of lifetime allowance protection.

What is enhanced protection?

Enhanced protection is one of the original forms of lifetime allowance protection. It was introduced at A-Day to help make sure that people weren't unfairly affected by the new pension rules.

Rules

Who was eligible to apply for enhanced protection?

Anyone could apply for enhanced protection, regardless of the value of their pensions. However, only benefits which were within pre A-Day limits could be protected.

Can I still apply for enhanced protection?

Probably not. The application window for enhanced protection was from 6 April 2006 to 5 April 2009. HMRC has a late application process for those with 'reasonable excuses' for missing the deadline; only very exceptional situations are likely to meet the criteria so many years later.

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How does enhanced protection work?

Enhanced protection works differently from all of the other protections. The other protections gave the individual a higher lifetime allowance, now a higher LSA and LSDBA, whereas enhanced protection exempted the holder from paying lifetime allowance charges.

For clients who have enhanced protection but no lump sum protection, the entitlement for the current tax year is £375,000, less any lump sums already taken.

For those with enhanced protection and also lump sum protection their PCLS entitlement is capped at the amount they could have had, had they taken it on 5 April 2023, less any lump sums already taken.

For those with enhanced protection their LSDBA will be the value of their uncrystallised pension funds as at April 2024.

Can I lose enhanced protection?

Enhanced protection can be given up voluntarily, and it can also be lost.

Prior to the 2023/24 tax year you could lose your enhanced protection if you began to accrue new pension benefits. You could also lose your protection if you didn't opt out of your employer's auto-enrolment scheme within the statutory window each time you were enrolled. Enhanced protection was intended to protect pension funds which had already been built up under the pre A-Day rules and any subsequent investment growth. It wasn't intended to allow people to build up further pension benefits after A-Day without having to worry about lifetime allowance charges. From the 2023/24 tax year, those who applied for enhanced protection prior to the 15 March 2023 would no longer lose their protection if they contributed to, joined or transferred to a registered pension scheme.

A detailed list of the ways you can lose enhanced protection is beyond the scope of this fact sheet. However, you can find more information by searching "enhanced protection cessation" (including the quotation marks) on www.gov.uk. We strongly recommend that you speak to a financial adviser before making any changes to your pension arrangements if you hold enhanced protection.

Important points to consider

The value of pension funds may fall as well as rise. Your money is tied up until you take your benefits. Benefits can generally be taken any time after age 55, although this is due to increase to 57 in 2028.

This information is based on our understanding of current legislation, including (but not limited to) FCA, PRA and HMRC regulation. It does not constitute any form of advice.

Contact Details

If you'd like to speak to us about anything on this fact sheet, please contact us on:

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