

Transitional Tax-Free Amount Certificates (TTFAC)

If you've crystallised benefits before the 6 April 2024, there's a standard calculation we need to use to work out the amount of your Lump sum allowance and Lump sum & death benefit allowance that's been used up. The standard calculation assumes that 25% of the amount crystallised has been taken as tax free cash and reduces both allowances by this amount. The exception to this is if you've taken funds as a serious ill-health lump sum when 25% would be taken off the Lump sum allowance but 100% off the Lump sum and death benefit allowance.

The calculation works well for most people but in the below instance this is not the case:

- benefits were crystallised prior to 6 April 2024 but an amount of less than 25% tax free cash was taken.

and

- they have uncrystallised funds of a value that it does have an impact, based on your Lump sum allowance.

Example

- Caroline crystallised benefits in July 2015 of £1 million which used up 80% of her lifetime allowance of £1,250,000 for the 2015/16 tax year. Caroline took £150,000 tax-free cash (15% of the amount crystallised).
- Based on the standard calculation after 6 April 2024 it would be assumed Caroline had taken £214,620 (80% of the standard lifetime allowance at 5 April 2024 of £1,073,100/25%), of the lump sum allowance of £268,275. This would mean most of her allowance is lost, with her remaining lump sum allowance being £53,655 (£268,275 - £214,620).
- Caroline would need an uncrystallised fund value exceeding £214,620 for there to be an impact which would limit her Lump sum allowance going forward ($£214,620 \times 25\% = £53,655$).

If you think the above could apply to you, it may be possible to obtain a TTFAC. This will show your allowances reduced by the actual amount of tax free cash you have received. If you wish to apply for a TTFAC please let us know before the first Relevant Benefit Crystallisation Event after 5th April 2024.

If you need further information, we'd suggest speaking with a financial adviser in the first instance.

If you proceed and we do issue a Transitional Tax Free Amount Certificate, it can't be cancelled, even if it results in a smaller amount of Lump sum allowance and Lump sum & death benefit allowance being available.