This note merely highlights some key points and is not advice or to be relied on.

wealth warnings

A simple illustration of the most obvious risk is a well paid employee with a good pension scheme who dies before retirement. The value of his (or her, but I keep to "he" etc for short) pension fund is exactly £1m, which, since 6 April 2016, has been the amount of a member's lifetime allowance (LTA).

Assume for simplicity that none of his pension fund had previously been crystallised and that the whole of it is crystallised by purchasing an annuity for a dependant (event 5D in the table in FA 2004 s216(1). If there is no other pension benefit, there will be no tax consequences. But, if the employer is a member of the employer's registered death in service scheme, which pays a lump sum of 4 x the member's salary and his annual salary was £100k, the lump sum of £400k will be another benefit crystallisation event (event 7 in the same table), bringing the total to £1.4m The excess of the over the LTA is taxable under the FA 2004 s214 at, under s215, 55% if it is taken as a lump sum or 25% if taken as pension. If there are different beneficiaries of these benefits, the liability for the LTA charge is to be apportioned equitably: FA 2004 s217(4).

Less obvious but potentially more serious tax consequences can affect taxpayers who have but lose protection against the LTA charge (see below). A taxpayer with enhanced or one of the fixed protections, who, as a condition for protection, must not accrue further benefits, will lose it if he joins a new arrangement, with the result that, on any future benefit crystallisation event, the then current and not the protected LTA will apply. Two areas of risk are as follows.

Automatic enrolment under the Pensions Act 2008. If the taxpayer is enrolled or re-enrolled automatically, protection will not be lost if he opts out in the statutory opt-out period. From 1 April 2015, employers are not obliged to enrol or re-enrol an employee if they have reasonable grounds to believe that he has enhanced or one for the fixed protections.

Automatic enrolment into some other pension scheme, typically a death in service scheme. Protection will be lost unless either the scheme has a rule that treats a member who opts out as never having been a member or the employee cancels the pension arrangement under the FCA cancellation rules.

alternatives for highly paid employees

The above notes and the tables on the next page apply only to schemes registered with HMRC under the FA 2004. Unregistered arrangements might be preferred by employees for whom the allowances affecting registered schemes are too low.

employer-financed retirement benefits schemes These are the modern equivalents of FURBS and UURBS. There is no restriction on the amount of the member's benefits. No income tax or NICs are incurred by the employee in respect of the employer's contributions. The employer receives no corporation tax relief until benefits are paid to the employee. See Income Tax (Earnings and Pensions) Act 2003 (ITEPA 2003) Part 7A.

life assurance Employers may provide relevant and excepted life assurance policies under, respectively, ITEPA 2003 s393B(4)(b) and Income Tax (Trading and Other Income) Act 2005 s480(3). The former are individual and the latter group policies. Neither of these affect the employee's AA or LTA. Employers normally enjoy corporation tax relief on contributions. One can ask now why employers establish registered schemes for death in service insurance for any employees.

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the allowances

Under the taxing reforms introduced by the Finance Act 2004 from 6 April 2006, a taxpayer has two pension allowances. The first is the annual allowance (AA), which is the maximum amount that may be paid in any year and on which tax relief is granted. An individual's AA is the greater of £3,600 and 100% of his UK taxable earnings up to the amounts in the following table. The second is the lifetime allowance (LTA), which is the value of the member's pension fund at any benefit crystallisation event (BCE), taking account of any prior crystallisations.

tax year	annual	lifetime		tax year	annual	Lifetime
2006/07	£215,000	£1,500,000		2009/10	£245,000	£1,750,000
2007/08	£225,000	£1,600,000		2010/11	£255,000	£1,800,000
2008/09	£235,000	£1,650,000		2011/12	£50,000	£1,800,000
2012/13	£50,000	£1,500,000		2013/14	£50,000	£1,500,000
2014/15	£40,000	£1,250,000		2015/16	£40,000	£1,250,000
2016/17	* £40,000	£1,000,000		2017/18		

* This is reduced in some circumstances. Broadly speaking: "tapered" relief reduces the annual allowance to £10,000 for taxpayers' whose income is £210,000 and over; and, where the taxpayer has started flex-drawdown, it has been reduced to £10,000 and, if the 2016 Autumn budget statement is implemented, will be further reduced to £4,000 from 6 April 2017.

protection against LTA charge

Taxpayers' existing rights on the introduction and each change of the LTA can be protected to some extent against tax charges. The following table, prepared by Ian Greenstreet of Nabarro and copied with permission) summarises the protections that have been made available.

Protection	What is covered	Formalities	Future accrual
Primary	Savings >£1.8m at 5 April 2006	Notify HMRC by 5 April 2009	Yes
Enhanced	Fully protects rights accrued as at 5 April 2006	Notify HMRC by 5 April 2009 and no accrual from 6 April 2009	No
Fixed	Fixes LA at £1.8m (or SLA if higher)	Apply to HMRC by 5 April 2012. Not needed for those with primary or enhanced protection	No
Fixed 2014	Fixes LA at £1.5m (or SLA if higher)	Apply to HMRC by 5 April 2014. Not needed for those with primary, enhanced or fixed protection	No
Individual 2014	Savings >£1.25m at 5 April 2014. Fixes LA as value of pension rights at 5 April 2014 (max £1.5m or SLA if higher.	Apply to HMRC by 5 April 2017. Not available to those with primary protection.	Yes
Fixed 2016	Fixes LA at £1.25m (or SLA if higher)	Apply online to HMRC from July 2016. Not available to those with primary, enhanced or fixed protection or FP14	No
Individual 2016	Savings >£1m at 5 April 2016. Fixes LA as value of pension rights at 5 April 2016 (max £1.25m or SLA if higher.	Apply to HMRC from July 2016. Not available to those with primary protection or IP14.	Yes