

## Issue 95: Enhanced Protection – apply now while stocks last!

**The deadline for applying is 6 April and changed government policy on lifetime allowance may affect decisions previously taken.**

Enhanced protection is one of the ways of protecting pension in excess of the lifetime allowance (currently £1.65 million), from significant tax charges. Have you ensured that all your members that needed to apply have done so? Pension managers may find it career limiting if their retiring former chief executive receives a 55% tax bill!

### **Deadline for applications**

When the current tax regime was introduced, from April 2006, the deadline for applications was set at 5 April 2009. In a recent guidance document, HMRC announced that it will treat as being made on time, all "acceptable notifications" that have been received at their offices by midnight on 6 April 2009.

An acceptable notification is one that is:

- Made using form APSS200;
- All appropriate sections of the form are completed; and
- The form is signed and dated.

Regarding notifications received after 6 April 2009, the guidance says:

"Any notification received after midnight on 6 April 2009 will be considered on a case by case basis on its own facts to see if there is a reasonable excuse for it being late and whether the notification was made within a reasonable period of time after that excuse ceased to exist. A reasonable excuse can only exist where an exceptional event beyond your control prevented you from submitting the notification in time. There has been a period of three years from 6 April 2006 to 5 April 2009 allowed for making the claim."

### **Freezing of lifetime allowance**

The announcement made in the Pre-Budget Report on 24 November 2008 that the lifetime allowance limit would be frozen at £1.8 million for five years from 6 April 2011 means that enhanced protection could be advantageous to more individuals than was previously the case.

In brief, any individual who had thought that the value of their benefits would not reach the lifetime allowance - specifically because it had been expected to increase on an annual basis indefinitely - may now have cause to reassess their position.

Enhanced protection is based on a member's benefits at 5 April 2006. The prospect of very low, or negative, inflation, together with the 5% a year increase in the value of benefits at 5 April 2006 that is permitted to be taken into account, makes enhanced protection more attractive.

### **What actions should schemes and members be undertaking now?**

1. Re-check any members who were close to requiring enhanced protection when you considered their position in 2006, as it may now be advantageous to apply.
2. Ensure that all members are clear that it is their responsibility to make any enhanced protection application. This is important where the member may have benefits well below the limit in your scheme, but their total benefits from their whole career may exceed the lifetime allowance.
3. Be ready to respond quickly if you do get any requests from members close to 6 April.

### **What conditions have to be satisfied if enhanced protection is not to be lost?**

It is also important that the terms of enhanced protection already received are not broken. Enhanced protection is lost if, at any time on or after 6 April 2006:

- A contribution is made to a pure money purchase arrangement
- A transfer of benefits is made in certain specified circumstances
- In most cases, a new pension arrangement is set up, or
- When benefits are drawn or transferred, their value exceeds the "appropriate limit", based on a projection of benefits earned at 5 April 2006

Full details of these circumstances are set out in HMRC's Registered Pension Scheme Manual accessible on the [HMRC web-site](#).

***If you have any questions on this Spotlight please contact your usual Hewitt contact, [Brian Wilson](#) (01372 733986) or [Peter Williams](#) (01372 733763).***

If you would like to receive these bulletins by e-mail, please contact [spotlight.enquiries@hewitt.com](mailto:spotlight.enquiries@hewitt.com).