# Quilter

# ILSA, ILSDBA and permitted maximums

*The table below lays out how ILSA and ILSDBA are modified when a member has a form of lifetime allowance protection. However when working out the maximum amount a member can take tax-free, you will need to also consider the permitted maximum allowed for each lump sum. It is not always the same as ILSA and ILSDBA.*

| | Individual's lump sum allowance (ILSA) | Individual's lump sum and death benefit allowance (ILSDBA) | Pension commencement lump sum (PCLS) | Scheme specific protected TFC (SSPTFC) | Standalone lump sums (SALS) | Uncrystallised fund pension lump sum (UFPLS) | Serious ill health lump sum (SIHLS) | Defined benefit, uncrystallised funds and drawdown - lump sum death benefits |
|---|---|---|---|---|---|---|---|---|
| **Tax status** | The limit of how much can be paid tax-free as a lump sum whilst alive (excluding a SIHLS). However each lump sum is also subject to a permitted maximum which may not reference ILSA. | The limit of how much can be paid tax-free as a lump sum both whilst alive and upon death. However each lump sum is also subject to a permitted maximum which may not reference ILSDBA. | Whole of PCLS is tax-free if within the permitted maximum. The permitted maximum for each scenario is below. ILSA and ILSDBA will be reduced by the tax-free amount taken. | Whole of SSPTFC is tax-free if within the permitted maximum. The permitted maximum for each scenario is below. ILSA is reduced by 25% of the total amount crystallising. ILSDBA is reduced by the total tax-free amount. | Amount within permitted maximum is tax-free. Excess is taxable as income. The permitted maximum for each scenario is below. For reduction to ILSA and ILSDBA see each scenario below. | 25% tax-free and 75% taxable as income as long as the 25% is within the permitted maximum. The permitted maximum for each scenario is below. ILSA and ILSDBA will be reduced by the tax-free amount taken. | Full value of uncrystallised arrangement is tax-free if within permitted max and member under age 75. Excess is taxable as income. Full amount is taxable if member over age 75. The permitted maximum for each scenario is below. ILSDBA will be reduced by the tax-free amount taken. | If member dies below 75 and the lump sum is paid within 2 years, the amount within the permitted max is tax-free. Lump sums paid after 2 years or when the member dies 75 or older, are taxable. ILSDBA will be reduced by the tax-free amount taken. |
| **Standard** | £268,275 | £1,073,100 | Permitted maximum is lower of : <br>*25% of the amount crystallising <br>*remaining ILSA <br>*remaining ILSDBA | Permitted maximum is TFC at 5/4/06 x 1.2 <br>+ <br>25% of Fund growth – 25% of any transfer out <br>Fund growth = (Fund value at Aday x (ILSDBA/£1,500,000)) | Permitted maximum is lower of : <br>*max SALS that could be paid on 5/4/23 <br>*remaining ILSDBA <br>This scenario is only possible where there is SSPTFC and therefore where this occurs, ILSA is reduced by 25% of the total amount crystallising. ILSDBA is reduced by the total tax-free amount. | Permitted maximum is lower of : <br>*remaining ILSA <br>*remaining ILSDBA | Permitted maximum is remaining ILSDBA. | For lump sums coming from funds crystallised before 6/4/24 there is no permitted maximum and ILSDBA is not reduced by the lump sum. <br><br>For lump sums coming from funds not crystallised before 6/4/24 the permitted maximum is the remaining ILSDBA. |
| **FP2012** | £450,000 | £1,800,000 | Permitted maximum is lower of : <br>*25% of the amount crystallising <br>*remaining ILSA <br>*remaining ILSDBA | Permitted maximum is TFC at 5/4/06 x 1.2 <br>+ <br>25% of Fund growth – 25% of any transfer out <br>Fund growth = (Fund value at Aday x (ILSDBA/£1,500,000)) | Permitted maximum is lower of : <br>*max SALS that could be paid on 5/4/23 <br>*remaining ILSDBA <br>This scenario is only possible where there is SSPTFC and therefore where this occurs, ILSA is reduced by 25% of the total amount crystallising. ILSDBA is reduced by the total tax-free amount. | Permitted maximum is lower of : <br>*remaining ILSA <br>*remaining ILSDBA | Permitted maximum is remaining ILSDBA. | For lump sums coming from funds crystallised before 6/4/24 there is no permitted maximum and ILSDBA is not reduced by the lump sum. <br><br>For lump sums coming from funds not crystallised before 6/4/24 the permitted maximum is the remaining ILSDBA. |
| **FP2014** | £375,000 | £1,500,000 | Permitted maximum is lower of : <br>*25% of the amount crystallising <br>*remaining ILSA <br>*remaining ILSDBA | Permitted maximum is TFC at 5/4/06 x 1.2 <br>+ <br>25% of Fund growth – 25% of any transfer out <br>Fund growth = (Fund value at Aday x (ILSDBA/£1,500,000)) | Permitted maximum is lower of : <br>*max SALS that could be paid on 5/4/23 <br>*remaining ILSDBA <br>This scenario is only possible where there is SSPTFC and therefore where this occurs, ILSA is reduced by 25% of the total amount crystallising. ILSDBA is reduced by the total tax-free amount. | Permitted maximum is lower of : <br>*remaining ILSA <br>*remaining ILSDBA | Permitted maximum is remaining ILSDBA. | For lump sums coming from funds crystallised before 6/4/24 there is no permitted maximum and ILSDBA is not reduced by the lump sum. <br><br>For lump sums coming from funds not crystallised before 6/4/24 the permitted maximum is the remaining ILSDBA. |
| **FP2016** | £312,500 | £1,250,000 | Permitted maximum is lower of : <br>*25% of the amount crystallising <br>*remaining ILSA <br>*remaining ILSDBA | Permitted maximum is TFC at 5/4/06 x 1.2 <br>+ <br>25% of Fund growth – 25% of any transfer out <br>Fund growth = (Fund value at Aday x (ILSDBA/£1,500,000)) | Permitted maximum is lower of : <br>*max SALS that could be paid on 5/4/23 <br>*remaining ILSDBA <br>This scenario is only possible where there is SSPTFC and therefore where this occurs, ILSA is reduced by 25% of the total amount crystallising. ILSDBA is reduced by the total tax-free amount. | Permitted maximum is lower of : <br>*remaining ILSA <br>*remaining ILSDBA | Permitted maximum is remaining ILSDBA. | For lump sums coming from funds crystallised before 6/4/24 there is no permitted maximum and ILSDBA is not reduced by the lump sum. <br><br>For lump sums coming from funds not crystallised before 6/4/24 the permitted maximum is the remaining ILSDBA. |
| **IP2014** | Lower of (25 % x value on 5/4/2014) or £375,000 | Lower of value on 5/4/2014 or £1,500,000 | Permitted maximum is lower of : <br>*25% of the amount crystallising <br>*remaining ILSA <br>*remaining ILSDBA | Permitted maximum is TFC at 5/4/06 x 1.2 <br>+ <br>25% of Fund growth – 25% of any transfer out <br>Fund growth = (Fund value at Aday x (ILSDBA/£1,500,000)) | Permitted maximum is lower of : <br>*max SALS that could be paid on 5/4/23 <br>*remaining ILSDBA <br>This scenario is only possible where there is SSPTFC and therefore where this occurs, ILSA is reduced by 25% of the total amount crystallising. ILSDBA is reduced by the total tax-free amount. | Permitted maximum is lower of : <br>*remaining ILSA <br>*remaining ILSDBA | Permitted maximum is remaining ILSDBA. | For lump sums coming from funds crystallised before 6/4/24 there is no permitted maximum and ILSDBA is not reduced by the lump sum. <br><br>For lump sums coming from funds not crystallised before 6/4/24 the permitted maximum is the remaining ILSDBA. |

| | Individual's lump sum allowance (ILSA) | Individual's lump sum and death benefit allowance (ILSDBA) | Pension commencement lump sum (PCLS) | Scheme specific protected TFC (SSPTFC) | Standalone lump sums (SALS) | Uncrystallised fund pension lump sum (UFPLS) | Serious ill health lump sum (SIHLS) | Defined benefit, uncrystallised funds and drawdown - lump sum death benefits |
|---|---|---|---|---|---|---|---|---|
| **IP2016** | Lower of (25 % x value on 5/4/2016) or £312,500 | Lower of value on 5/4/2016 or £1,250,000 | Permitted maximum is lower of : *25% of the amount crystalling *remaining ILSA *remaining ILSDBA | Permitted maximum is TFC at 5/4/06 x 1.2 + 25% of Fund growth – 25% of any transfer out Fund growth = (Fund value at Aday x (ILSDBA/£1,500,000)) | Permitted maximum is lower of : *max SALS that could be paid on 5/4/23 *remaining ILSDBA This scenario is only possible where there is SSPTFC and therefore where this occurs, ILSA is reduced by 25% of the total amount crystalling. ILSDBA is reduced by the total tax-free amount. | Permitted maximum is lower of : *remaining ILSA *remaining ILSDBA | Permitted maximum is remaining ILSDBA. | For lump sums coming from funds crystallised before 6/4/24 there is no permitted maximum and ILSDBA is not reduced by the lump sum.<br><br>For lump sums coming from funds not crystallised before 6/4/24 the permitted maximum is the remaining ILSDBA. |
| **Primary Protection no Protected TFC** | £375,000 | £1,800,000 + (£1,800,000 x Primary Protection Factor) | Permitted maximum is lower of : *25% of the amount crystalling *remaining ILSA *remaining ILSDBA | Permitted maximum is TFC at 5/4/06 x 1.2 + 25% of Fund growth – 25% of any transfer out Fund growth = (Fund value at Aday x (ILSDBA/£1,500,000)) | Permitted maximum is lower of : *max SALS that could be paid on 5/4/23 *remaining ILSDBA This scenario is only possible where there is SSPTFC and therefore where this occurs, ILSA is reduced by 25% of the total amount crystalling. ILSDBA is reduced by the total tax-free amount. | Permitted maximum is lower of : *remaining ILSA *remaining ILSDBA **HOWEVER** Not an UFPLS if 25% of UFPLS is more than (£1,800,000 less (any tax-free lump sums tested against ILSDBA)/4) | Permitted maximum is remaining ILSDBA. | For lump sums coming from funds crystallised before 6/4/24 there is no permitted maximum and ILSDBA is not reduced by the lump sum.<br><br>For lump sums coming from funds not crystallised before 6/4/24 the permitted maximum is the remaining ILSDBA. |
| **Primary Protection with Protected TFC** | £375,000 | £1,800,000 + (£1,800,000 x Primary Protection Factor) | Permitted maximum is : (TFC on 5/4/06 x 1.2) - ((PCLS taken) x (£1.8mill/LTA at time if before 6/4/12 or if after £1.8 mill)) | Not possible | Permitted maximum is lower of : *max SALS that could be paid on 5/4/23 *remaining ILSDBA Both ILSA and ILSDBA are reduced by the total tax-free amount. | Not possible | Permitted maximum is remaining ILSDBA. | For lump sums coming from funds crystallised before 6/4/24 there is no permitted maximum and ILSDBA is not reduced by the lump sum.<br><br>For lump sums coming from funds not crystallised before 6/4/24 the permitted maximum is the remaining ILSDBA. |
| **Enhanced Protection no Protected TFC** | £375,000 | Individuals total uncrystallised value on 5 April 2024 | Permitted maximum is the lower of : *25 of the amount crystalling or *remaining ILSA **UNLESS** member has previously had a SIHLS, in which case the permitted max is nil | Permitted maximum is TFC at 5/4/06 x 1.2 + 25% of Fund growth – 25% of any transfer out Fund growth = (Fund value at Aday x (ILSDBA/£1,500,000)) | Permitted maximum is lower of : *max SALS that could be paid on 5/4/23 *remaining ILSDBA This scenario is only possible where there is SSPTFC and therefore where this occurs, ILSA is reduced by 25% of the total amount crystalling. ILSDBA is reduced by the total tax-free amount. | Permitted max is the lower of: *remaining ILSA *the max that could have been paid under the arrangement on 5 April 2024 **UNLESS** member has previously had SIHLS in which case permitted max is nil. | Permitted maximum is the max SIHLS that could have been paid under the arrangement on 5 April 2024. | Permitted maximimum is the max death benefit lump sum that could be paid on 5 April 24 less the tax-free amount of any death benefit already paid out.<br><br>For lump sums coming from funds crystallised before 6/4/24 there is no permitted maximum and ILSDBA is not reduced by the lump sum. |
| **Enhanced Protection with Protected TFC** | £375,000 | Individuals total uncrystallised value across all pensions on 5 April 2024 | Permitted max is the lower of: * the amount crystalling x % on the certificate or * the maximum PCLS that could be paid on 5/4/23 under arrangement MINUS any PCLS has been taken since that date under arrangement. | Not possible | Permitted max is: The maximum that could have been paid on 5/4/23 **MINUS** any other SALS or PCLS paid out after 5/4/23 Both ILSA and ILSDBA are reduced by the total tax-free amount. | Not possible | Permitted maximum is the max SIHLS that could have been paid under the arrangement on 5 April 2024. | Permitted maximimum is the max death benefit lump sum that could be paid on 5 April 24 less the tax-free amount of any death benefit already paid out.<br><br>For lump sums coming from funds crystallised before 6/4/24 there is no permitted maximum and ILSDBA is not reduced by the lump sum. |
| **Pre Aday Pension credit factor** | Lower of £375,000 or (£268,275 x enhancement factor ) | £1,073,100 + (£1,073,100 x Enhancement Factor) | Permitted maximum is lower of : *25% of the amount crystalling *remaining ILSA *remaining ILSDBA | Permitted maximum is TFC at 5/4/06 x 1.2 + 25% of Fund growth – 25% of any transfer out Fund growth = (Fund value at Aday x (ILSDBA/£1,500,000)) | Permitted maximum is lower of : *max SALS that could be paid on 5/4/23 *remaining ILSDBA Both ILSA and ILSDBA are reduced by the total tax-free amount | Permitted maximum is lower of : *remaining ILSA *remaining ILSDBA **HOWEVER** Not an UFPLS if 25% of UFPLS is more than (£1,800,000 less (any tax-free lump sums tested against ILSDBA)/4) | Permitted maximum is remaining ILSDBA. | For lump sums coming from funds crystallised before 6/4/24 there is no permitted maximum and ILSDBA is not reduced by the lump sum.<br><br>For lump sums coming from funds not crystallised before 6/4/24 the permitted maximum is the remaining ILSDBA. |
| **Other enhancement factors** | £268,275 | £1,073,100+ (£1,073,100 x Enhancement Factor) | Permitted maximum is lower of : *25% of the amount crystalling *remaining ILSA *remaining ILSDBA | Permitted maximum is TFC at 5/4/06 x 1.2 + 25% of Fund growth – 25% of any transfer out Fund growth = (Fund value at Aday x (ILSDBA/£1,500,000)) | Permitted maximum is lower of : *max SALS that could be paid on 5/4/23 *remaining ILSDBA This scenario is only possible where there is SSPTFC and therefore where this occurs, ILSA is reduced by 25% of the total amount crystalling. ILSDBA is reduced by the total tax-free amount. | Permitted maximum is lower of : *remaining ILSA *remaining ILSDBA **HOWEVER** Not an UFPLS if 25% of UFPLS is more than (ILSDBA* less (any tax-free lump sums tested against ILSDBA)/4) *ILSDBA being £1,073,100 unless there is a form of protection. | Permitted maximum is remaining ILSDBA. | For lump sums coming from funds crystallised before 6/4/24 there is no permitted maximum and ILSDBA is not reduced by the lump sum.<br><br>For lump sums coming from funds not crystallised before 6/4/24 the permitted maximum is the remaining ILSDBA. |
| **Early Retirement Age (below age 50)** | £268,275 reduced by 2.5% x (complete number of years between date benefits taken and NMPA) | £1,073,100 or protected ILSDBA amount reduced by 2.5% x (complete number of years between date benefits taken and NMPA) | — | — | — | — | — | — |