

## Transitional tax-free amount certificates (TTFAC) explained



### Key takeaways

- ✓ A transitional tax-free amount certificate can help your client improve their tax free cash entitlement
- ✓ There are nine scenarios where applying for a certificate could be beneficial
- ✓ Not everyone will benefit by applying for a transitional tax-free amount certificate

### *What is a transitional tax-free amount certificate (TTFAC)?*

This is a certificate designed to confirm the amount of an individual's lump sum allowance (ILSA) and how much individual's lump sum and death benefit allowance (ILSDBA) is used up by events prior to 6 April 2024. Read ['Transitional regime for past crystallisations'](#) for an explanation of how the certificate works and how to do the calculation. If the only benefit taken is a Pre A-day pension, your client can't apply for a TTFAC.

## Who should apply for a TTFAC?

There is no black and white definitive list as to who should apply for a certificate. This is because although it might appear at first sight to be scenario that would benefit from a TTFAC, previous crystallisations in years where the lifetime allowance was higher could offset any benefit gained by a TTFAC.

**Here are nine scenarios where you should carry out a calculation to determine whether your client should apply for a TTFAC.**

1. Benefit crystallisation events, when the lifetime allowance was less than £1,073,100
2. Your client is over age 75
3. Defined benefit scheme increases
4. Benefit crystallisations with no tax-free cash taken
5. Benefit crystallisations with less than 25% tax-free cash taken
6. Crystallisation of a disqualifying pension credit
7. Transferring to a QROPS prior to 6/4/24
8. 100% of lifetime allowance used
9. Serious ill health lump sum taken

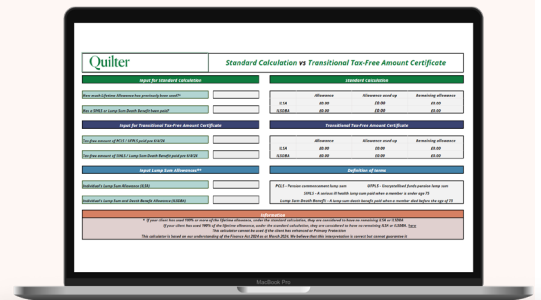
## Who should not apply for a TTFAC?

Where a client has previously crystallised when the lifetime allowance (LTA) was higher, a TTFAC might lead to a worse outcome. This is because under the standard calculation previously used LTA is revalued in line with LTA changes. There is no revaluation of previously taken tax-free cash under a TTFAC.

Remember that once a TTFAC has been applied for, the result is binding. So you should carry out your own calculation before encouraging your client to apply for a TTFAC.

## Transitional Regime calculator

Use our calculator to carry out a comparison to see which calculation, either standard or transitional, would be better for your client.



## Don't stay in the dark. Visit our LTA abolition hub

There is a huge amount of detail to understand ahead of these changes. Our LTA Hub is here to help you. In addition to our must attend webinar, you'll find a range of support articles to help you understand what it means for you and your clients.

