A guide to pension tax

Contents

About this guide

Pension schemes have to be registered with HM Revenue & Customs (HMRC) to gain certain tax advantages under UK legislation. These schemes, known as registered pension schemes, have a scheme administrator and are subject to rules on payments and benefits. These must be complied with, or there could be tax consequences.

This guide gives basic information on the tax treatment of payments into registered pension schemes, the limits set by HMRC and how pension benefits paid out to you and/or your dependants will be taxed. The registered pension schemes covered in this guide are personal pension plans and occupational pension schemes. Retirement annuity contracts are not covered.

You should talk to your advisor about the information in this guide. They can help you choose an investment that's right for you and answer any questions.

We've tried to use plain English in this guide but avoiding all technical terms is difficult. This is why we've explained any technical terms when they first arise.

We've based this information on our understanding of current UK law and HMRC rules as of the 6th of April 2025. Future changes in law and tax practice or in your own circumstances could affect taxation.

Tax treatment of payments

Tax rates in 2025/26 for England and Northern Ireland

There are currently three rates of income tax

- basic rate – 20%
- higher rate – 40%
- additional rate – 45%

Scottish taxpayer

If you currently live in Scotland, it's likely HMRC will treat you as a Scottish taxpayer regardless of where you work. You can only be a Scottish taxpayer if you're resident in the UK for tax purposes.

Scottish tax rates in 2025/26

There are six Scottish rates of income tax

- starter rate – 19%
- basic rate – 20%
- intermediate rate – 21%
- higher rate – 42%
- advanced - 45%
- top rate – 48%

Welsh taxpayer

If you currently live in Wales, it's likely HMRC will treat you as a Welsh taxpayer regardless of where you work. You can only be a Welsh taxpayer if you're resident in the UK for tax purposes.

Welsh tax rates in 2025/26

There are three Welsh rates of income tax

- basic rate - 20%
- higher rate - 40%
- additional rate - 45%

Eligibility to receive tax relief on payments

You must fall into any one of the following categories:

- You have 'relevant UK earnings'.
- You're resident in the UK.
- You were resident in the UK both at sometime in the last five years and when you took out the plan.
- You, your spouse, or registered civil partner has general earnings from overseas Crown employment that are subject to UK tax.

Relevant UK earnings

Relevant UK earnings mean earnings that are chargeable to tax in the UK in respect of employment income. This could be salary, income from a trade, profession or vocation or patent income. Please note that the UK does not include the Channel Islands or Isle of Man.

Tax relief on payments made to pension schemes

If you're eligible, you'll always get basic rate tax relief on your personal payments up to HMRC limits, but the way your tax relief is given depends on the type of pension scheme you pay into and your current residency. The rate of tax relief you get depends on how much you contribute to your pension scheme and the rate of income tax you pay.

You may be able to get further tax relief, see the sections 'Higher rate and additional rate tax relief', 'Scottish taxpayers and tax relief' and 'Welsh taxpayers and tax relief'. Tax relief is available until age 75.

Transfer payments

You won't receive tax relief on any transfer payments.

Self-employed

If you're self-employed, you can pay into any of the pension plans described in the 'Personal pension plans' section.

Salary sacrifice

Salary sacrifice pension arrangements involve you giving up part of your salary and your employer making additional payments into your pension plan. Before setting up a salary sacrifice arrangement you should take advice on the potential advantages and disadvantages to help you evaluate any salary sacrifice arrangement available to you.

Recycling tax-free lump sums

If you're using the tax-free lump sum paid from a registered pension scheme to fund payments to the same scheme or another registered pension scheme, there could be an unauthorised payment charge if such payments are considered to be 'recycled'. There could also be an associated tax charge incurred by the scheme administrator that you would be required to reimburse. You should speak to your adviser before making such payments.

Personal pension plans

You can choose to take out a personal pension with a financial services company, if you're eligible. You decide exactly how much you save.

A self invested personal pension allows you to invest in a wider range of assets, including stocks and shares and property.

Stakeholder pensions are also available. These are personal pensions that have to meet certain standards set by the Government.

If you take out any of these personal pension options, your payments will be from your net pay after the tax has been deducted.

If your pension plan is part of a group arrangement connected with your employment, your employer will deduct your payments from your pay after tax and pay them into your personal pension.

The employer can also make payments into your personal pension plan. Please see 'Employer payments' below.

Other people can also make payments into your personal pension plan. These will be treated as if they are payments made by you.

Basic rate tax relief

The pension scheme administrator will claim the basic rate tax relief for you from HMRC. If basic rate tax is 20%, this means that for every £80 you pay into the pension plan you get basic tax relief of £20 which is also paid into your plan. The total amount paid into the plan is therefore £100.

Higher rate and additional rate tax relief

You may also get higher rate and additional rate tax relief. We explain how to claim this tax relief in the section 'Claiming further tax relief on personal pension plans'.

Employer payments

Employer payments made to personal pension plans will be made direct to the pension provider. You won't receive tax relief on employer payments.

Scottish taxpayers and tax relief

Scottish taxpayers will get tax relief based on Scottish Income tax rates and bands. If you pay tax at the Scottish starter rate HMRC will not ask you to repay the extra tax relief claimed by the pension scheme administrator. Intermediate, Higher, Advanced or Top rate tax payers may be able to claim further tax relief from HMRC. We explain how to claim this in the section 'Claiming further tax relief on personal pension plans'.

Welsh taxpayers and tax relief

Welsh taxpayers will get tax relief based on Welsh Income tax rates. Higher rate and additional rate tax payers may be able to claim further tax relief from HMRC. We explain how to claim this in the section `Claiming further tax relief on personal pension plans'.

Claiming further tax relief on personal pension plans

If you're eligible for further tax relief on your payments, you can ask HMRC to change your tax code by contacting them or you can complete a self-assessment tax return after the tax year has ended.

Contacting HMRC

If you complete a self-assessment return, you must claim through your tax return (or the current tax year and any previous years). You can use HMRC's service if you are claiming tax relief through your tax code just for the current tax year. You can find more information at: www.gov.uk/guidance/claim-tax-relief-on-your-pension-payments

HMRC will adjust your tax code and send you and any employer written confirmation of the new code.

You'll be able to make future changes by telephone.

Using your self-assessment form

You can claim any entitlement to further tax relief on your payments in the self-assessment form that you complete at the end of each tax year. The relief will be given as a:

- rebate (if you're self-employed)
- reduction in your tax liability or
- alteration in your future tax code (if you're employed).

When completing your self-assessment form, you must declare any payment amounts affected by the annual allowance charge. Please see the annual allowance page of the Government's website, for more information on this – www.gov.uk/tax-on-your-private-pension/annual-allowance

Occupational pension schemes

An occupational pension scheme is a work-based pension scheme set up by an employer for their employees. It may be a defined contribution scheme with payments based on earnings or a defined benefit pension scheme with benefits usually based on final salary. Your employer will deduct your personal payments from your salary before income tax is deducted and then pay this into the pension scheme.

For example, if your personal payment is £100 then £100 will be deducted from your pay before income tax is deducted and paid into the pension scheme. As the payment's taken from your salary before tax is calculated this means you receive your tax relief upfront.

Tax relief doesn't alter the level of payments that you pay into the scheme.

Employer payments

Employer payments made to occupational pension schemes will be made direct to the pension provider.

HMRC limits

£3,600 limit

The £3,600 limit includes basic rate tax relief so if this rate is 20%, the maximum payment you can make is £2,880 and the basic rate addition to this amount will be £720.

Annual allowance

Annual allowance for tax year 2025/26 is £60,000

Unused allowance in any tax year can be carried forward up to three years.

Lump Sum Allowance

The Standard Lump Sum Allowance is £268,275.

Lump Sum and Death Benefit Allowance

The standard Lump Sum and Death Benefit Allowance is £1,073,100.

Overseas Transfer Allowance

The standard Overseas Transfer Allowance is £1,073,100.

Annual limit

You get tax relief on your payments up to 100% of your relevant UK earnings in any tax year (a tax year runs from 6th April in one year to 5th April the next year). If you're not working or have low earnings, you can pay up to £3,600 a year into a personal pension or stakeholder pension.

Annual allowance

If the total payments to all your registered pension schemes in a tax year are more than the HMRC annual allowance, any payments over the allowance will be taxed at your marginal tax rate (ie 20%, 40% or 45%). Scottish taxpayers will get a tax charge based on Scottish Income tax rates. Welsh taxpayers will get a tax charge based on Welsh Income tax rates. The annual allowance is noted in the table opposite.

If you're a member of more than one registered pension scheme, payments into all your registered pension schemes will be tested against the annual allowance for the same tax year. This includes payments made by you, your employer or a third party.

Transfer payments and payments to a plan in the tax year when all benefits are taken on the grounds of incapacity or ill health, or in the tax year you die don't count towards the annual allowance limit.

Money purchase annual allowance

Certain pension benefit payments trigger the money purchase annual allowance rules. This limits the tax relief you can get on future savings to any money purchase plan. If you trigger the money purchase annual allowance rules, then you'll have a £10,000 annual allowance for defined contribution pension savings. If you exceed this £10,000 limit, you'll have (in addition to the £10,000 defined contribution annual allowance) a reduced £50,000 annual allowance for your defined benefit pension savings. If you don't exceed the £10,000 limit you'll have the normal £60,000 annual allowance for **all** your pension savings. You can't carry forward the money purchase annual allowance into the next tax year.

HMRC limits (continued)

Tapered annual allowance

Your annual allowance could be reduced if:

- Your total income is more than £200,000. Any salary sacrifice in return for pension provision set up on or after 9th July 2015 will count as income for this purpose;

And

- Your total income including the value of any pension contributions is greater than £260,000.

If this applies to you, for every £2 you earn over £260,000, your annual allowance will be reduced by £1, down to a minimum of £10,000.

If your total payments to all registered pension schemes are above your tapered annual allowance, you'll be liable to an annual allowance tax charge on the excess contributions. If your total payments are above your annual allowance, you'll also need to declare the excess in your self-assessment tax return.

The definition of income for this purpose is not the same as taxable pay. If you think you may be affected, please speak to your financial adviser.

Lump Sum Allowance

Lump Sum Allowance is the total you can take tax-free from all:

- Uncrystallised Funds Pension Lump Sums,
- Pension Commencement Lump Sums and
- Standalone Lump Sums.

Lump Sum and Death Benefit Allowance

Lump Sum and Death Benefit Allowance is the total you can take tax-free from lump sums and lump sum death benefits in respect of your retirement savings. Some types of lump sums and lump sum death benefits don't count towards this allowance.

If you're eligible to receive benefits from your pension plan early because you have a protected retirement age, your Lump Sum Allowance and Lump Sum and Death Benefit Allowance will usually be reduced by 2.5% for each year below the normal minimum retirement age at the time benefits are taken. The reduction would not apply on death or early retirement due to ill health.

There are other circumstances where you can have a higher allowance not covered in this guide. These include pension credits, where as part of a divorce settlement the court authorise a transfer of one spouse's benefits to another, as well as periods of pension scheme membership where no tax relief was received.

Protection of existing pension rights

Protection evidence

When you take benefits, the scheme administrator may ask for evidence.

Protection

When the lifetime allowance was introduced on 6th April 2006, HMRC introduced various types of protection and as the amount of the lifetime allowance was changed over the years, then other types of protection were introduced by HMRC. From 6th April 2024, the lifetime allowance has been abolished and new allowances introduced. However, the protection types still exist and are carried over into the new allowances.
More information on the types of protection is below.

Enhanced protection

You had to apply for enhanced protection before 6th April 2009. Under enhanced protection, you can protect your pension rights from all your pension funds at 5th April 2006.

Before 6th April 2023, enhanced protection was lost if:

- further payments were made by you or on your behalf to a registered pension scheme between 6th April 2006 and 5th April 2023 (except for a pension term policy set up before 6th April 2006), or
- you built up new pension rights under an occupational pension scheme between 6th April 2006 and 5th April 2023.

Since 6th April 2023, you can make payments and accrue new pension benefits without losing this protection. You'll also be able to keep any entitlement that you have to a higher tax-free lump sum but limited based on the value of your pension pot as at 5th April 2023. From 6th April 2024, an additional limit has been added so entitlement is limited to the maximum amount that could have been paid on 5th April 2024.

If a successful late application is made for enhanced protection on or after 15th March 2023, then enhanced protection will work differently to what is described above.

Primary protection

You had to apply for primary protection before 6th April 2009.

Under primary protection you have a personal Lump Sum and Death Benefit Allowance based on a factor which will be applied to the standard lifetime allowance when you take benefits from your pension fund.

For example, someone who had total pension funds of £3 million on 5th April 2006 has a Primary Protection factor of 1 and from 6th April 2024, their LSBDA will be 1 x £1.8 million + £1.8 million = £3.6 million.

Fixed protection 2012

You had to apply for fixed protection before 6th April 2012. If you have fixed protection 2012, you'll have:

- a Lump Sum Allowance of £450,000, and
- a Lump Sum and Death Benefit Allowance of £1.8 million.

Before 6th April 2023, fixed protection 2012 was lost if:

- further payments were made by you or on your behalf to a registered pension scheme between 6th April 2012 and 5th April 2023 (except for a pension term policy set up before 6th April 2006), or
- you built up new pension rights under an occupational pension scheme between 6th April 2012 and 5th April 2023.

Since 6th April 2023, you can make payments and accrue new pension benefits without losing this protection. You'll also be able to keep any entitlement that you have to a higher tax-free lump sum. If a successful late application is made for fixed protection 2012 on or after 15th March 2023, then fixed protection 2012 will work differently to what is described above.

Fixed protection 2014

You had to apply for fixed protection 2014 before 6th April 2014. If you have fixed protection 2014, you'll have:

- a Lump Sum Allowance of £375,000, and
- a Lump Sum and Death Benefit Allowance of £1.5 million.

Before 6th April 2023, fixed protection 2014 was lost if:

- further payments were made by you or on your behalf to a registered pension scheme between 6th April 2014 and 5th April 2023 (except for a pension term policy set up before 6th April 2006), or
- you built up new pension rights under an occupational pension scheme between 6th April 2014 and 5th April 2023.

Since 6th April 2023, you can make payments and accrue new pension benefits without losing this protection. You'll also be able to keep any entitlement that you have to a higher tax-free lump sum. If a successful late application is made for fixed protection 2014 on or after 15th March 2023, then fixed protection 2014 will work differently to what is described above.

Fixed protection 2016

You had to apply to HMRC for Fixed Protection 2016 before 6th April 2025. If you have fixed protection 2016, you'll have:

- a Lump Sum Allowance of £312,500, and
- a Lump Sum and Death Benefit Allowance of £1.25 million.

If you successfully applied to HMRC for Fixed Protection 2016 before 15th March 2023 then, before 6th April 2023, fixed protection 2016 was lost if:

Protection of existing pension rights (continued)

- further payments were made by you or on your behalf to a registered pension scheme between 6th April 2016 and 5th April 2023 (except for a pension term policy set up before 6th April 2006), or
- you built up new pension rights under an occupational pension scheme between 6th April 2016 and 5th April 2023.

However, since 6th April 2023, you can make payments and accrue new pension benefits without losing this protection. You'll also be able to keep any entitlement that you have to a higher tax-free lump sum. If a successful application is made for fixed protection 2016 on or after 15th March 2023, you can't make payments and accrue new pension benefits without losing this protection.

Individual Protection 2014

You had to apply for individual protection 2014 before 6th April 2017. If you have individual protection 2014, you'll have:

- a Lump Sum Allowance of the lower of £375,000 and 25% of the value of your pension rights on 5th April 2014, and
- a Lump Sum and Death Benefit Allowance of the lower of £1.5 million and the value of your pension rights on 5th April 2014.

If you have this form of protection, your Lump Sum Allowance and your Lump Sum and Death Benefit Allowance can't be lower than the standard Lump Sum Allowance and Lump Sum Death Benefit Allowance - see page 5.

You won't lose individual protection 2014 by making further savings into your pension scheme.

Individual Protection 2016

You had to apply to HMRC for Individual protection 2016 before 6th April 2025. If you have individual protection 2016, then you'll have:

- a Lump Sum Allowance of the lower of £312,500 and 25% of the value of your pension rights on 5th April 2016, and
- a Lump Sum and Death Benefit Allowance of the lower of £1.25 million and the value of your pension rights on 5th April 2016.

If you have this form of protection, your Lump Sum Allowance and your Lump Sum and Death Benefit Allowance cannot be lower than the standard Lump Sum Allowance and Lump Sum Death Benefit Allowance - see page 5.

Tax-free lump sum protection

Lump sum rights above £375,000 with enhanced and/or primary protection

If there is primary protection, the protected tax-free lump sum (see 'Taking tax-free lump sum' section) is £375,000 increased by the Primary Protection factor.

If there is enhanced protection, the protected tax-free lump sum is set out as a percentage (based on the proportion of tax-free lump sum from the value of your overall pension fund on 5th April 2006).

Lump sum rights above 25% from membership of an occupational pension scheme

You can keep a tax-free lump sum entitlement of more than the usual 25%. Your protected tax-free lump sum entitlement is maintained at the level you had before the abolition of the Lifetime Allowance. To achieve this, your protected tax-free lump sum at 5th April 2006 is multiplied by 1.2. You may also be entitled to an additional lump sum amount.

Any protected tax-free lump sum only reduces an individual's available lump sum allowance by the standard 25%. The Lump Sum and Death Benefit Allowance is reduced by the full amount of the protected tax-free lump sum.

You don't have to register this right with HMRC.

If you transfer out of such a scheme after 5th April 2006, the protected lump sum entitlement will be lost unless the transfer is:

- part of a block transfer, where you and at least one other person transfer from that scheme to the same registered occupational pension scheme or personal pension plan, or
- part of a pension scheme wind up and your rights are being transferred or assigned into a single contract in your name.

Protected retirement age

There is some protection for members who had a right to retire before the current normal minimum retirement age of 55 as long as certain criteria is met.

Details of the minimum retirement age are in the 'Taking benefits' section. This protection is automatic.

If you transfer out of that scheme after 5th April 2006 then this protection will no longer apply unless the transfer out is:

- part of a block transfer, or
- part of a pension scheme wind up and your rights are being transferred or assigned into a single contract in your name.

Transitional tax-free amount certificate

This certifies both an individual's lump sum transitional tax-free amount, and their lump sum and death benefit transitional tax-free amount. These are the actual tax-free amounts taken before 6th April 2024 by the individual. An individual must apply to a relevant scheme for a certificate before their first Relevant Benefit Crystallisation Event. If there is no certificate, schemes must follow the standard HMRC assumptions about the value of previously used amounts and the impact on available allowances.

You shouldn't apply for a certificate unless you think that having one will mean you can take a higher tax-free amount - you could be worse off if the certificate shows a lower amount than the standard HMRC calculation.

Taking benefits

Taking your benefits

Remember, there are no government rules requiring you to stop working before you can take an income from your retirement fund. But you should check the rules of your own pension scheme to find out if there are restrictions on when you can take benefits.

Minimum retirement age

The minimum retirement age is 55. It's possible to receive benefits from your pension plan before then if you have a protected retirement age as explained in the 'Protection of existing pension rights' section. **The minimum retirement age will increase to 57 from 6th April 2028.**

It's also possible to receive benefits from your pension plan before the minimum retirement age if you have ill health, as defined by HMRC and not able to continue in your current occupation.

Tax treatment on taking income

Any pension you receive or income you take from your pension plan is taxable. The rate of income tax will depend on your personal circumstances, including if you're a Scottish or Welsh taxpayer and how much other taxable income you have coming in at the time. The income or pension will be added to other income to calculate any income tax due. An income or pension is normally taxable under pay-as-you-earn (PAYE).

Taking tax-free lump sums

You can normally take up to 25% of your pension plan value as a tax-free lump sum when you take benefits.

Please note that there is not an option to take tax-free lump sum from the fund if you're transferring a flexible retirement income plan (drawdown).

See the 'Death benefits' section for details of the tax treatment of lump sum death benefits.

Flexible retirement income (drawdown)

If you move funds into flexible retirement income (drawdown), the money purchase annual allowance will apply to you, from the date of your first income payment. Please see page 5 for more information about this.

Tax treatment on serious ill health

If you become seriously ill such that you're expected to live for less than one year, you may take all your benefits as a lump sum. This is called a serious ill-health lump sum. Where such a lump sum is paid before you reach age 75, it will be tax-free, as long as it doesn't exceed your Lump Sum and Death Benefit Allowance (LSDBA).

If such a lump sum is paid after you reach age 75, it will be treated as income. Unless we have an appropriate tax code, we must tax this payment on an emergency tax basis.

A serious ill health lump sum is not available from any funds providing a pension in payment, including income drawdown.

Tax treatment of small lump sums

Once you're 55 or over, you may be able to take all your benefits as a lump sum in the following circumstances:

- you can take a maximum of three lump sums of up to £10,000 each from individual money purchase plans, or;
- you have an occupational money purchase pension plan worth no more than £10,000.

Your options may be different if your plan has protected tax free lump sum, a guaranteed annuity rate or you've already taken a small or trivial lump sum.

If you're 55 or over and if you have a defined benefit pension scheme, with a value of £30,000 or less, you may be able to take your entire retirement savings from your plan as a trivial lump sum, as long as you meet certain criteria.

You may be able to take one of these lump sums at an earlier age if you have a protected retirement age or you're retiring on the grounds of ill-health.

Taking one of these small lump sum payments won't trigger the money purchase annual allowance, described on page 5.

If you're eligible for one of the previous options, one quarter of the value of your benefits is normally available tax-free. The rest of the lump sum is taxed as income at your marginal rate although we are required to deduct basic rate tax (at England and Northern Ireland rate. For tax year 2025/26 the tax rate is 20%.

Lump sum payments (Uncrystallised funds pension lump sum - UFPLS)

Since April 2015, anyone aged 55 or over (or earlier if they have a protected retirement age or can retire on the grounds of ill-health) can take more of their retirement savings as a lump sum. Usually 25% will be paid tax-free with the rest taxed as income unless HMRC allowances are exceeded.

The tax-free element of the UFPLS payment is limited to the lower of your available Lump Sum Allowance (LSA) and the LSBDA. If you have available allowance, then 25% of your UFPLS will be paid tax-free. If 25% of your UFPLS is more than you've got left in available LSA and LSDBA, the tax-free amount will be restricted and more of your payment will be treated as income in the tax year it's paid.

You can take one or a series of lump sums from your funds.

"Uncrystallised" refers to the lump sum you take from the funds held in your plan, that are not being used to provide pension income.

Please note, all pension schemes don't have to offer this type of lump sum (or the ability to take more than one lump sum) and you may not be able to take this from your plan. The amount of tax you pay will depend on your personal circumstances and how you take your pension funds.

Taking benefits (continued)

Unless we have an appropriate tax code, we must tax the other ”income” on an emergency tax basis. HMRC will check the amount of tax you've paid is correct. Depending on your other income and circumstances, HMRC will contact you if you need to pay any additional tax, or you may receive a refund. If you've used all your retirement savings for a single UFPLS payment, you'll be able to contact HMRC to ask for a refund, if you believe you're owed one.

If you take an UFPLS payment the money purchase annual allowance will apply to you. Please see page 5 for more information about this.

Impact on your tax position

All small lump sum and UFPLS payments are treated as income in the tax year they're paid. This means it could affect tax allowances or any means-tested state benefits. Depending on your income from other sources, for example, your employment or state pension, you may need to pay more tax, or you may be able to get a tax refund from HMRC.

How much tax you pay depends on your personal circumstances. If you are or have been a Scottish or Welsh resident, tax rates might differ. You should talk to your financial adviser or contact HMRC about this. HMRC will check the amount of tax you've paid is correct. Depending on your other income and circumstances, HMRC will contact you if you need to pay any additional tax, or you may receive a refund. You'll be able to contact HMRC before the end of the tax year for a refund, if you believe you're owed one.

Death benefits

The tax treatment of death benefits paid from a pension plan depends on the circumstances at the time of death.

Lump sum death benefits

Lump sum death benefits may be payable if you die and:

- you haven't yet started to receive benefits,
- you have pensions term assurance,
- you're taking flexible retirement income (drawdown) from your retirement savings,
- you've arranged guaranteed income for life (annuity) protection.

If you die before your 75th birthday, any lump sum death benefit will normally be free from tax where it's distributed within two years of the notification of death and is within the Lump Sum and Death Benefit Allowance (see the 'HMRC limits' section). This also applies if your pension fund is in flexible retirement income (drawdown).

If you die after age 75, beneficiaries receiving a lump sum death benefit are subject to tax at their marginal rate of income tax. Unless we have an appropriate tax code, we must tax this payment on an emergency tax basis.

Where benefits aren't paid to an individual, we have to deduct a flat rate tax charge of 45%.

Income or pension payments

The rate of tax on any income or pension will depend on how old you are when you die. If you're under 75, normally any drawdown or annuity income will be tax-free.

If you're over 75, any drawdown or annuity income payments will be taxed as income.

Transfers to a Qualifying Recognised Overseas Pension Scheme (QROPS)

Since 9th March 2017, if you transfer to a QROPS there may be a 25% tax charge in certain circumstances.

From 6th April 2024, an 25% overseas transfer charge will also arise if the transfer to a qualifying recognised overseas pension scheme value causes you to exceed your available Overseas Transfer Allowance (OTA). The standard OTA is £1,073,100 but you may have a higher amount if you have a type of protection.

Where the total value of this transfer would already be subject to a 25% overseas transfer charge, the transfer will reduce your OTA, but there will be no additional tax charge on the excess over your OTA. Transfers overseas don't impact the availability of your Lump Sum and Death Benefit Allowance.

Leaving occupational pension schemes

If on leaving an occupational pension scheme, you qualify for a refund of your payments, 20% tax will be taken from refunds up to £20,000 and 50% tax is taken from any amount above this.

The scheme administrator deducts the tax before paying the refund.

If the scheme rules allow payment of any growth in your plan in addition to a refund of your payments, this amount is paid gross. You'll need to account for any tax by writing to HMRC or through your self assessment.

Pension investments

Tax treatment of pension investments

The pension funds you choose to invest in won't pay UK taxes on income and capital gains.

If you're a member of a self invested personal pension plan, permitted investments are also exempt from income and capital gains tax. You should speak to your adviser about taxation issues that relate to any property investment decisions. Please remember that if you'd like your scheme administrator to claim back tax deducted on foreign investments, they may only do so if they're asked in good time and are given the relevant documents.

Please let Zurich know if you would like a copy of this in large print, Braille or audio.

PDF1681 (128434) (04/25)