

# Working out your Lump Sum Allowance and Lump Sum & Death Benefit Allowance



Please use this question and answer document to help you fill in the Lump Sum Allowance and Lump Sum & Death Benefit Allowance Declaration. It doesn't cover all aspects of the allowances.

If you have any questions about your allowances or about completing your Lump Sum Allowance and Lump Sum & Death Benefit Allowance Declaration we recommend you speak to your financial adviser. If you don't have an adviser, you can find one at [unbiased.co.uk](https://www.unbiased.co.uk). You may be charged for their services.

When you take a tax-free lump sum from your pension fund, you must declare any amount that falls outside the allowances set by the HMRC.

It's our responsibility to check you haven't gone over your allowances, but it's your responsibility to give us the information we need to do this. That's why we ask you to make a declaration.

But before you can make this declaration, you'll need to know more about the allowances, so we've put together some questions and answers to help you understand more about it.

## 1 What are the Lump Sum Allowance and Lump Sum & Death Benefit Allowance?

HMRC places limits on the amount of tax-free benefits that can be taken from pension schemes. The limits apply to benefits during your lifetime and on death. Income tax is payable on benefits taken above these amounts.

For tax year 2024/25 the standard Lump Sum Allowance is £268,275 and the standard Lump Sum & Death Benefit Allowance is £1,073,100. Your remaining allowances reduce each time you take benefits. Your personal allowances may be higher than the standard amounts if you've been granted one or more of the types of protections by HMRC.

Before 6 April 2024, HMRC used a different limit, called the lifetime allowance, on the total value of benefits you could take from all your pension arrangements. If you took any retirement benefits before this date you may have used up some or all of your lifetime allowance. Any lifetime allowance used reduces the value of your available Lump Sum Allowance and Lump Sum & Death Benefit Allowance.

You can find more information on these allowances at [gov.uk/tax-on-your-private-pension](https://www.gov.uk/tax-on-your-private-pension). If they're likely to affect you, we recommend you get financial advice.

As the allowances are high, we don't expect them to affect many people.

## 2 How can I tell what my tax-free benefits are worth?

You need to consider all of the following:

### A. The value of the tax-free benefits you're about to take

This will be the amount of Lump Sum Allowance and Lump Sum & Death Benefit Allowance you've used. This will normally be shown on your illustration.

## 2 How can I tell what my tax-free benefits are worth? Continued.

### B. Any tax-free retirement benefits you've taken between 6 April 2006 and 5 April 2024 (excluding State pensions and any widow's/widower's/surviving civil partner's/dependant's pensions)

You should have a statement from the company paying you the retirement benefit. This will give you the percentage of your lifetime allowance these retirement benefits use.

The value of these retirement benefits is the percentage given multiplied by £1,073,100 (the standard lifetime allowance on 5 April 2024).

An amount equal to 25% of the lifetime allowance you used up will be deducted from your Lump Sum Allowance.

For your Lump Sum & Death Benefit Allowance the amount deducted depends on the type of tax-free benefit you received. If you received a Serious-Ill Health Lump Sum the whole amount is deducted from your Lump Sum & Death Benefit Allowance. Otherwise, an amount equal to 25% of the Lifetime Allowance you used up will be deducted.

If you used up all your Lifetime Allowance then you'll have no Lump Sum Allowance or Lump Sum & Death Benefit Allowance left.

<b>Example</b>	<p>If your statement shows you used 5% of your lifetime allowance, here's the sum you'd do to work out the value of your retirement benefits:</p> <p>Lump Sum Allowance <b>£1,073,100 x 5% = £53,655</b> <b>25% of £53,655 = £13,413.75</b></p> <p>Your remaining Lump Sum Allowance is <b>(£268,275 - £13,413.75) = £254,861.25</b></p> <p>Lump Sum &amp; Death Benefit Allowance <b>£1,073,100 x 5% = £53,655</b> <b>25% of £53,655 = £13,413.75</b></p> <p>Your remaining Lump Sum &amp; Death Benefit Allowance is <b>(£1,073,100 - £13,413.75) = £1,059,686.25</b></p> <p>If you took a Serious Ill Health Lump Sum, your remaining Lump Sum &amp; Death Benefit Allowance would be <b>(£1,073,100 - £53,655) = £1,019,445.</b></p>
<b>Exception</b>	<p>If you have any form of protection or an enhancement factor from HMRC or a transitional tax-free amount certificate from Aviva or another pension provider (details are provided in question 5 of this document).</p>

### C. Any pension annuity benefits you started to receive before 6 April 2006 (excluding State pensions and any widow's/widower's/surviving civil partner's/dependant's pension)

The value of these pension benefits is 25 times your yearly combined pension. 25% of this amount is deducted from your Lump Sum Allowance and your Lump Sum & Death Benefit Allowance.

<b>Example</b>	<p>A pension of £450 a month works out at £5,400 a year.</p> <p><b>£5,400 x 25 = £135,000</b> <b>25% of £135,000 = £33,750</b></p> <p>If this is the first time you've taken pension benefits since 6 April 2006, you should use the current amount of pension you're receiving.</p> <p>If this isn't the first time you've taken pension benefits since 6 April 2006, you should use the amount of pension you received when you first took pension benefits, on or after 6 April 2006.</p>
----------------	--

## 2 How can I tell what my tax-free benefits are worth? Continued.

### D. The maximum income from any pension fund withdrawal (drawdown) you started receiving before 6 April 2006

The value of these pension fund withdrawals is 25 times the maximum yearly income. 25% of this amount is deducted from your Lump Sum Allowance and your Lump Sum & Death Benefit Allowance.

<b>Example</b>	<p>A maximum income of £1000 a month works out at £12,000 a year.</p> <p><b>£12,000 x 25 = £300,000</b></p> <p><b>25% of £300,000 = £75,000</b></p> <p>If this is the first time you've taken pension benefits since 6 April 2006, you should use the current maximum income.</p> <p>If this isn't the first time you've taken pension benefits since 6 April 2006, you should use the maximum income when you first took benefits, on or after 6 April 2006.</p> <p>If these pension benefits are now flexible drawdown funds, you should use the maximum income that applied immediately before they became flexible drawdown.</p> <p>If the effective date of the maximum income figure you're using is on or after 6 April 2015, you should use 80% of the maximum income figure in your calculation.</p>
----------------	---

### E. Any other tax-free retirement benefits you're planning to take at the same time as this one, including any other benefits you have with Aviva

You'll normally get an illustration showing you the amount of your Lump Sum Allowance and Lump Sum & Death Benefit Allowance these tax-free retirement benefits use.

### F. Any pension benefits transferred to a Qualifying Recognised Overseas Pension Scheme before 6 April 2024.

The scheme administrator of the transferred plan will have given you a statement showing the percentage of lifetime allowance used by the transfer. 25% of this amount will be deducted from your Lump Sum Allowance and Lump Sum & Death Benefit Allowance.

You can work out the value of these transferred benefits by multiplying the percentage shown in the statement by £1,073,100 (the standard lifetime allowance on 5 April 2024).

<b>Example</b>	<p>If your statement for the transferred plan shows you've used 12% of your lifetime allowance, here's the sum you do to work out the value of your transferred benefits:</p> <p><b>£1,073,100 x 12% = £128,772</b></p> <p><b>25% of £128,772 = £32,193</b></p>
<b>Exception</b>	<p>If you have any form of protection or an enhancement factor from HMRC or a transitional tax-free amount certificate from Aviva or another pension provider (details are provided in question 5 of this document).</p>

- You can ignore any transfer to a Qualifying Recognised Overseas Pension Scheme made on or after 6 April 2024 - these are subject to the Overseas Transfer Allowance and don't count towards your Lump Sum Allowance or Lump Sum & Death Benefit Allowance.
- You can ignore any other tax-free retirement benefits you're not planning to take until later. These will be counted towards your Lump Sum Allowance and Lump Sum & Death Benefit Allowance when you decide to take them.

### 3 What happens if I go over my Lump Sum Allowance and Lump Sum & Death Benefit Allowance?

That depends on the type of tax-free lump sum being paid.

Type of Lump Sum	Can I go over the allowances?
Tax-free lump sum paid with a pension income (a Lifetime Annuity, Drawdown Pension or Scheme Pension)	No, you can't go over the allowances with this type of lump sum. You must have enough Lump Sum Allowance and Lump Sum & Death Benefit Allowance left before taking a tax-free lump sum with a pension income. The maximum tax-free lump sum you can take with a pension income is the lower of: <ul style="list-style-type: none"> <li>● 25% of your pension pot;</li> <li>● Your remaining Lump Sum Allowance; or</li> <li>● Your remaining Lump Sum &amp; Death Benefit Allowance.</li> </ul> You can't take this type of tax-free lump sum if you have no allowances left.
A cash sum of all or part of your pension pot (this is known as an Uncrystallised Funds Pension Lump Sum)	Yes, there's no limit to the amount that can be taken but the maximum tax-free part is the lower of: <ul style="list-style-type: none"> <li>● 25% of your pension pot;</li> <li>● Your remaining Lump Sum Allowance; or</li> <li>● Your remaining Lump Sum &amp; Death Benefit Allowance.</li> </ul> You'll pay income tax on any amount above the maximum.
A Serious Ill-Health Lump Sum	Yes, the maximum you can receive is equal to your remaining Lump Sum & Death Benefit Allowance. You'll pay income tax on any amount above this.
Any other lump sum that has a tax-free element such as a Small Lump Sum of less than £10,000 that extinguishes your pension pot.	These lump sums aren't counted towards the allowances. Normally, 25% will be tax-free if paid from untouched funds before age 75.

### 4 What happens if I have a special retirement age?

If you're retiring at a specially agreed retirement age less than age 50, because of your occupation, your Lump Sum & Death Benefit Allowance reduces by 2.5% for each complete year that your retirement falls below age 55 (57 from 6 April 2028). If you're taking a tax-free lump sum with a pension income (a Lifetime Annuity, Drawdown Pension or Scheme Pension) your Lump Sum Allowance will also reduce by 2.5% for each complete year that your retirement falls below age 55 (57 from 6 April 2028).

<b>Example</b>	<p>If you're retiring at the age of 45 during the 2024/25 tax year, the standard Lump Sum Allowance would be £268,275 and the standard Lump Sum &amp; Death Benefit Allowance would be £1,073,100.</p> <p>However, as you're retiring 10 years before the normal retirement age, you'll work out your allowances like this:</p> <p>Lump Sum Allowance</p> <p><b>2.5% x 10 years = 25%</b> (percentage reduction in standard Lump Sum Allowance)</p> <p><b>£268,275 x 25% = £67,068.75</b> (reduction in Lump Sum Allowance)</p> <p><b>£268,275 - £67,068.75 = £201,206.25</b> (revised Lump Sum Allowance)</p> <p>Lump Sum &amp; Death Benefit Allowance</p> <p><b>2.5% x 10 years = 25%</b> (percentage reduction in standard Lump Sum &amp; Death Benefit Allowance)</p> <p><b>£1,073,100 x 25% = £268,275</b> (reduction in Lump Sum &amp; Death Benefit Allowance)</p> <p><b>£1,073,100 - £268,275 = £804,825</b> (revised Lump Sum &amp; Death Benefit Allowance)</p>
----------------	--

## 5 What about protection?

You may have one of the following types of protection:

- **Primary Protection** – introduced on 6 April 2006, you could register for this up to 5 April 2009
- **Enhanced Protection** – introduced on 6 April 2006, you could register for this up to 5 April 2009
- **Fixed Protection (2012)** – introduced in 2011, but you only had until 5 April 2012 to register
- **Fixed Protection 2014** – introduced in 2013, but you only had until 5 April 2014 to register
- **Fixed Protection 2016** – introduced on 6 April 2016, you have until 5 April 2025 to register
- **Individual Protection 2014** – introduced in 2014, you could register for this up to 5 April 2017
- **Individual Protection 2016** – introduced on 6 April 2016, you have until 5 April 2025 to register

You could also register with HMRC for an enhancement to the allowances in certain situations.

This could be something like a transfer from an overseas pension scheme or a pension credit awarded on divorce.

If you have any form of protection, you'll get a certificate or an online reference number from HMRC. You'll need to send us a copy of that certificate or reference number to make sure we don't incorrectly take tax from your retirement benefits. You may also need to send further copies to other providers.

### 5a What will my Lump Sum Allowance and Lump Sum & Death Benefit Allowance be if I have protection?

You may have received an enhancement if you've had money transferred from an overseas pension scheme or received a pension credit which was awarded on divorce.

You may have any of these protections and may even have more than one enhancement.

Type of protection	Lump Sum Allowance and Lump Sum & Death Benefit Allowance
Primary Protection	<ul style="list-style-type: none"> <li>● Your Lump Sum Allowance will be £375,000. However, if you received greater than £375,000 lump sum protection with your Primary Protection, your Lump Sum Allowance is calculated as follows: <ul style="list-style-type: none"> <li>– Value of your uncrystallised lump sum rights on 5 April 2006 multiplied by 1.2, less</li> <li>– the total value of each tax-free lump sum taken with pension income, if taken from 6 April 2012 onwards. If the tax-free lump sum was taken before 6 April 2012 it's multiplied by £1.8 million divided by the standard lifetime allowance at the time taken.</li> </ul> </li> <li>● To work out your personal Lump Sum &amp; Death Benefit Allowance you need to know your Primary Protection factor.</li> <li>● You can find this on the certificate sent to you by HMRC.</li> </ul>
Enhanced Protection	<ul style="list-style-type: none"> <li>● Your Lump Sum Allowance will be £375,000</li> <li>● If you registered for Enhanced Protection, your Lump Sum &amp; Death Benefit Allowance is the value of your uncrystallised pension rights on 5 April 2024.</li> </ul>
Fixed Protection (2012)	<ul style="list-style-type: none"> <li>● Your Lump Sum Allowance will be £450,000</li> <li>● If you registered for Fixed Protection (2012), your Lump Sum &amp; Death Benefit Allowance will be of £1.8 million.</li> </ul>
Fixed Protection 2014	<ul style="list-style-type: none"> <li>● Your Lump Sum Allowance will be £375,000</li> <li>● If you registered for Fixed Protection 2014, your Lump Sum &amp; Death Benefit Allowance will be of £1.5 million.</li> </ul>
Fixed Protection 2016	<ul style="list-style-type: none"> <li>● Your Lump Sum Allowance will be £312,500</li> <li>● If you registered for Fixed Protection 2016, your Lump Sum &amp; Death Benefit Allowance will be of £1.25 million.</li> </ul>

## 5a What will my Lump Sum Allowance and Lump Sum & Death Benefit Allowance be if I have protection? Continued.

Type of protection	Lump Sum Allowance and Lump Sum & Death Benefit Allowance
Individual Protection 2014	<ul style="list-style-type: none"> <li>● Your Lump Sum Allowance will be the lower of:               <ul style="list-style-type: none"> <li>– 25% of your protected amount or</li> <li>– £375,000</li> </ul> </li> <li>● If you registered for Individual Protection 2014, your Lump Sum &amp; Death Benefit Allowance will be the lower of:               <ul style="list-style-type: none"> <li>– your protected amount or</li> <li>– £1.5 million</li> </ul> </li> <li>● HMRC will either send you a certificate with your personal lifetime allowance shown on it, or for recent registrations, HMRC will issue an online reference number.</li> </ul>
Individual Protection 2016	<ul style="list-style-type: none"> <li>● Your Lump Sum Allowance will be the lower of:               <ul style="list-style-type: none"> <li>– 25% of your protected amount or</li> <li>– £312,500</li> </ul> </li> <li>● If you registered for Individual Protection 2016, your Lump Sum &amp; Death Benefit Allowance will be the lower of:               <ul style="list-style-type: none"> <li>– your protected amount or</li> <li>– £1.25 million</li> </ul> </li> <li>● You won't receive a certificate but an online reference number.</li> </ul>
Other enhancement factors	<ul style="list-style-type: none"> <li>● If you've claimed an enhancement, you'll have a certificate from HMRC showing your enhancement factor.</li> <li>● If your enhancement factor was granted because you acquired pension credit rights to a pre 6 April 2006 pension in payment, your Lump Sum Allowance will be the lower of;               <ul style="list-style-type: none"> <li>– £268,275 increased by the enhancement factor; or</li> <li>– £375,000.</li> </ul> <p>Any other form of enhancement factor won't increase the Lump Sum Allowance.</p> </li> <li>● Your Lump Sum &amp; Death Benefit Allowance will be £1,073,100 increased by the enhancement factor, unless either of the following applies:               <ul style="list-style-type: none"> <li>– If you're taking a tax-free lump sum with a pension income or cashing in all or part of your pension pot, your Lump Sum &amp; Death Benefit Allowance won't be enhanced by the factor.</li> <li>– If you have enhanced protection and an enhancement factor, your Lump Sum &amp; Death Benefit Allowance won't be further increased by the factor.</li> </ul> </li> </ul>
	Note - you can find your enhancement factor on your HMRC certificate

## 5b How do I work out my personal allowances if I have protection?

### Primary Protection only

- Your Lump Sum Allowance will be £375,000. However, if you received greater than £375,000 lump sum protection with your Primary Protection, your Lump Sum Allowance is calculated as follows:
  - Value of your uncrystallised lump sum rights on 5 April 2006 multiplied by 1.2, less
  - the total value of each tax-free lump sum taken with pension income, if taken from 6 April 2012 onwards. If the tax-free lump sum was taken before 6 April 2012 it's multiplied by £1.8 million divided by the standard lifetime allowance at the time taken.

<b>Example</b>	<p>Example If your lump sum protected amount was £390,000 on 5 April 2006, and you took a tax-free lump sum of £50,000 in the tax year 2008/9 and a further tax-free lump sum of £100,000 in the tax year 2013/14, you'd work out your personal Lump Sum Allowance like this:</p> <p><b>£390,000 x 1.2 = £468,000</b></p> <p>less</p> <p><b>£50,000 x £1.8 million/£1.65 million (the standard lifetime allowance in the tax year 2008/9)</b></p> <p><b>= £54,545.45</b></p> <p>less</p> <p><b>£100,000 = £100,000</b></p> <p><b>= £322,166.67</b></p>
----------------	--

- The way your Lump Sum & Death Benefit Allowance is worked out depends on the type of lump sum you're taking. If you're taking a tax-free lump sum with a pension income (a Lifetime Annuity, Drawdown Pension or Scheme Pension) or if you're cashing in part or all of your pension pot (known as an Uncrystallised Funds Lump Sum), your Lump Sum & Death Benefit Allowance is £1.8 million.
- Otherwise your Lump Sum & Death Benefit Allowance will be worked out by multiplying £1.8 million by your Primary Protection factor.
- Add this to your protected Lump Sum & Death Benefit Allowance of £1.8 million.

<b>Example</b>	<p>If your Primary Protection enhancement factor is 0.63, you work out your personal Lump Sum and Death Benefit Allowance like this:</p> <p><b>(£1.8 million x 0.63) + £1.8 million = £2.934 million</b></p>
----------------	--

### Lump Sum & Death Benefit Allowance for Primary Protection and any other enhancement factor

- Multiply £1.8 million by the total of your Primary Protection factor and any other enhancement factor.
- Add this to your protected Lump Sum & Death Benefit Allowance of £1.8 million.

<b>Example</b>	<p>If your Primary Protection enhancement factor is 1.3 and you have another enhancement factor of 0.2, you work out your personal Lump Sum &amp; Death Benefit Allowance like this:</p> <p><b>(£1.8 million x 1.5) + £1.8 million = £4.5 million</b></p>
----------------	---

### Enhancement factor due to acquiring pension credit rights in a pre 6 April 2006 pension in payment

- Your Lump Sum Allowance will be the lower of £375,000, or, £268,275 increased by the factor.

<b>Example</b>	<p>If you have an enhancement factor of 0.4, this is how you work out your Lump Sum Allowance:</p> <p><b>(£268,275 x 0.4) + £268,275 = £375,585</b></p> <p>As this is higher than £375,000 the Lump Sum Allowance is restricted to £375,000.</p>
----------------	--

- Your Lump Sum & Death Benefit Allowance isn't enhanced if you're taking a tax-free lump sum with a pension income or cashing in all or part of your pension pot. Otherwise it will be increased by the enhancement factor.
- Multiply the standard Lump Sum & Death Benefit Allowance of £1,073,100 by the enhancement factor.
- Add the standard Lump Sum & Death Benefit Allowance of £1,073,100.

<b>Example</b>	<p>If you have a total enhancement factor of 0.4, this is how you work out your personal Lump Sum &amp; Death Benefit Allowance:</p> <p><b>(£1,073,100 x 0.4) + £1,073,100 = £1,502,340</b></p>
----------------	---

## 5b How do I work out my personal allowances if I have protection? Continued.

### Other enhancement factors

- Your Lump Sum Allowance isn't increased by the enhancement factor.
- If you're taking a tax-free lump sum with a pension income or cashing in all or part of your pension pot your Lump Sum & Death Benefit Allowance isn't increased by the enhancement factor.
- Otherwise, add all your enhancement factors together.
- Multiply this total by the standard Lump Sum & Death Benefit Allowance of £1,073,100 (or if you have any type of Fixed or Individual Protection, your personal amount of Lump Sum & Death Benefit Allowance).
- Add the standard Lump Sum & Death Benefit Allowance of £1,073,100 (or if you have any type of Fixed or Individual Protection, your personal amount of Lump Sum & Death Benefit Allowance).

<b>Example</b>	If you have a total enhancement factor of 0.2, you'd work out your personal Lump Sum & Death Benefit Allowance like this:  <b><math>(£1,073,100 \times 0.2) + £1,073,100 = £1,287,720</math></b>
----------------	--

## 6 How do I work out my personal allowances if I have a transitional tax-free amount certificate?

If you did not take your full entitlement to a 25% tax-free lump sum when you took a pension income, you can apply to your pension provider for a certificate which provides a revised personal Lump Sum Allowance and Lump Sum & Death Benefit Allowance.

You need to make an application for this certificate **before** you take any tax-free benefits after 6 April 2024. You'll need to provide evidence of the tax-free amounts you've taken from all your pension arrangements.

<b>Example</b>	If you took a tax-free lump sum of £100,000 instead of £125,000 with a Drawdown Pension, and you've received a transitional tax-free amount certificate, your provider would've worked out your allowances like this:  Lump Sum Allowance: <b><math>£268,275 - £100,000 = £168,275</math></b>  Lump Sum & Death Benefits Allowance: <b><math>£1,073,100 - £100,000 = £973,100</math></b>
----------------	--



## How to find out more



### **Online**

You can find out more about the allowances at the HMRC website

**[gov.uk/tax-on-your-private-pension](https://www.gov.uk/tax-on-your-private-pension)**



### **By phone**

If you're unsure about any protection or enhancement factors you may have, please call HMRC's pension helpdesk

**0300 123 1079**

## Need this in a different format?

If you'd prefer this leaflet (**LF50331**) in large print, braille, or as audio, please get in touch using the contact details in the letter.

**Aviva Life Services UK Limited.**

Registered in England No 2403746. Aviva, Wellington Row, York, YO90 1WR. Authorised and regulated by the Financial Conduct Authority. Firm Reference Number 145452.

**Aviva Pension Trustees UK Limited.**

Registered in England No. 2407799. Aviva Wellington Row, York YO90 1WR. Authorised and regulated by the Financial Conduct Authority. Firm reference number 465132.

**Aviva Life & Pensions UK Limited.**

Registered in England No. 3253947. Aviva, Wellington Row, York YO90 1WR. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Firm Reference Number 185896.

**Aviva Investment Solutions UK Limited.**

Registered in England No. 6389025. Aviva, Wellington Row, York YO90 1WR. Authorised and regulated by the Financial Conduct Authority. Firm Reference Number 515334. My Money is a registered trademark of the Aviva group.

