

FACT SHEET

PAYING A LIFETIME ALLOWANCE CHARGE FROM DEATH BENEFITS

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If a client dies before age 75 with uncrystallised funds and the death benefits are distributed to the beneficiaries within two years, those uncrystallised funds will be tested against the lifetime allowance. The process for testing the funds and paying the tax charge differs from the process for benefit crystallisation events during a client's lifetime. This guide is only intended to outline the basic steps. Further guidance can be found by searching 'PTM088550' from gov.uk.

The beneficiaries receive their lump sums, complete The scheme administrator tells the deceased's their drawdown designations or purchase their personal representatives how much of the lifetime annuities. There is no tax to pay, as the client died allowance is represented by the uncrystallised funds under age 75 and the benefits have been paid within which were used to pay death benefits. two years. The personal representatives will assess whether or If the lifetime allowance has been exceeded, the not the lifetime allowance has been exceeded. They personal representatives must contact HMRC to confirm the details of the deceased, their pension will need to take into account the amount of schemes and the lifetime allowance breach lifetime allowance used by the deceased during their (including the amounts paid in death benefits). lifetime, as well as all relevant death benefits. HMRC will assess the lifetime allowance charge HMRC will contact the scheme administrator(s) of schemes which paid out death benefits from funds liability for each beneficiary. The overall charge will tested against the lifetime allowance, to request the be apportioned between the beneficiaries. HMRC details of the beneficiaries to whom chargeable will then write to each beneficiary requesting their benefits were paid. share of the tax charge. Each beneficiary has 30 days from the issue of the notice of assessment to pay the tax charge. Interest will also apply if the charge has not been paid by 31 January following the end of the tax year in which

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the death benefits were tested.

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