

# FACT SHEET

## UNCRYSTALLISED FUNDS PENSION LUMP SUM (UFPLS)

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### Definitions

#### What is an uncrystallised funds pension lump sum (UFPLS)?

A UFPLS is a way of taking benefits from your pension. It was introduced on 6 April 2015. Part of a UFPLS will typically be free of tax and the remainder is subject to income tax. Unlike going into drawdown, a UFPLS payment doesn't allow you to take the tax free element up front and leave the taxable element for a later date: it is a single lump sum payment.

#### What are uncrystallised funds?

Uncrystallised is the term used to describe pension funds which have not yet been accessed. They won't have been tested against the 'lifetime allowance' - please read our Lifetime Allowance fact sheet for more information. You can only withdraw a UFPLS from uncrystallised or unused funds.

#### What are unused funds?

If you reach age 75 with pension funds you haven't accessed, strictly speaking those funds will thereafter be unused funds, rather than uncrystallised funds. The distinction is normally only important from a technical perspective: you'll quite often see unused funds referred to as uncrystallised funds for simplicity.

### Rules

#### Who is eligible to receive a UFPLS?

Most people who are eligible to take pension benefits are able to take a UFPLS. However, there are some restrictions:

- If you're under 75, you have to have enough lifetime allowance left to cover the whole value of the UFPLS
- If you're over 75, you have to have at least some lifetime allowance remaining
- If your pension contains money which came from an ex-spouse following a divorce (known as a pension credit) and you wouldn't be allowed to take tax free cash (also known as a Pension Commencement Lump Sum or PCLS) from those funds, you can only have a UFPLS from the value of your pension not represented by the pension credit.
- If you have primary or enhanced protection which includes tax free cash protection, you can't take a UFPLS
- If you have a lifetime allowance enhancement factor, you can only have a UFPLS if your remaining tax free cash entitlement is at least as much as the tax-free element of the UFPLS you wish to take.

If you want to learn more about any of the terms in these restrictions, please refer to our separate fact sheets.

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Generally speaking, these conditions make sure that you can't receive more tax free funds through a UFPLS than you would if you were using another method to access your pension benefits. The tax free element of a UFPLS is designed to mimic the pension commencement lump sum (PCLS, or tax free cash) which you would normally get if you were going into drawdown or purchasing an annuity. However, the UFPLS rules are much simpler and can't account for all the variations in PCLS entitlement, which has resulted in these restrictions.

### How much can I receive as a UFPLS?

Other than the previous conditions, you can take as much of your uncrystallised or unused funds as a UFPLS as you like. Bear in mind though, that you have to receive the whole taxable element in one go, which means it is taxed in one go too. A large UFPLS payment could push you into a higher tax bracket.

### How much tax will I pay on my UFPLS?

If you are under 75, 25% of your UFPLS is tax free and the rest is taxed as income. If you are over 75, the tax free element is restricted to 25% the lower of your remaining lifetime allowance or the value of the UFPLS and the rest is taxed as income.

If the UFPLS is the first taxable payment you have taken from your pension provider, they will normally have to apply an emergency rate tax code. Emergency rate codes assume the payment is the first in a regular series and also make assumptions about factors such as your personal allowance, so can result in you underpaying or overpaying tax.

### What if I'm entitled to more than 25% tax free cash?

The tax free element of a UFPLS is designed to mimic the pension commencement lump sum (PCLS, or tax free cash), but it isn't the same thing. The tax free element of a UFPLS is based on standard PCLS entitlement (i.e. 25% as long as the payment is within the lifetime allowance), but the UFPLS rules don't replicate all of the exceptions and variations to the PCLS rules.

As mentioned under 'Who is eligible to receive a UFPLS', there are rules making sure that you can't take a UFPLS if you are entitled to less than 25% PCLS, to make sure that you don't unfairly benefit from using UFPLS. If you are entitled to more than 25% PCLS and don't meet any of those restrictions then technically there's nothing preventing you from taking a UFPLS, however the tax free element will still be 25%, so you will lose some of your entitlement. Depending on the type of protected PCLS entitlement you have, taking a UFPLS may also mean that you lose your higher PCLS entitlement on any remaining uncrystallised funds.

### Important points to consider

The value of pension funds may fall as well as rise. Your money is tied up until you take your benefits. Benefits can generally be taken any time after age 55, although this is due to increase to 57 in 2028.

This information is based on our understanding of current legislation, including (but not limited to) FCA, PRA and HMRC regulation. It does not constitute any form of advice.

### Contact Details

If you'd like to speak to us about anything on this fact sheet, please contact us on:

**T 01473 296 950**

We may record and monitor calls. Call charges will vary.

**E [enquiries@curtisbanks.co.uk](mailto:enquiries@curtisbanks.co.uk)**

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