

PENSION ANNUITY

TAXATION AT A GLANCE



Why is tax being taken from my payments?

Tax is paid on income from an annuity just like it is on a salary. Your payments will be taxed under the Pay As You Earn (PAYE) tax system.

Bear in mind that the money you paid into your pension scheme was not taxed and that you can usually take a tax-free lump sum of up to 25% of either your pension fund or the lump sum allowance, whichever is lower. The standard lump sum allowance is £268,275. If you have lifetime allowance protection, you may have a higher lump sum allowance.

How much tax will I pay?

The amount of tax you pay usually depends on your total income for the year and your tax rate.

The tax you'll pay will be based on the tax code HM Revenue & Customs (HMRC) give us (or an emergency tax code if this applies).

When you buy your annuity, your first payment will usually be taxed on an emergency code. This is a temporary code HMRC tell us to use unless you've given us a P45 dated on or after 6 April in the current tax year. The tax year runs from 6 April to 5 April the following year.

We give HMRC details of the annuity income you receive and any tax taken.

After the first payment, HMRC will issue a PAYE code based on your personal circumstances. This will take into account any other income you have. We'll use this tax code to work out how much tax to take from your future payments.

Who should I contact about tax issues?

If you have any questions about your tax code, you should contact HMRC.

You can find information about tax codes online at [gov.uk/tax-codes](https://www.gov.uk/tax-codes)

HMRC contact details.

Address: HM Revenue & Customs
Pay As You Earn
BX9 1AS

Phone number: 0300 200 3300

Please have your National Insurance number ready. They may also ask for our PAYE reference, which is **581/JZ59145**.

I live abroad, so why am I paying UK tax?

There are several reasons why you might still pay UK tax even though you're living overseas. Please contact HMRC to discuss your situation. When calling from abroad, phone them on +44 135 535 9022.

Will I receive an annual tax statement?

Yes, this is known as a P60. This includes:

- the total income you've received from us, and
- the tax you have paid.

You'll receive this statement on or before 31 May each year.

What do I do if I've paid too much tax after taking a taxable lump sum?

As with your first payment, you'll pay tax on an emergency tax code unless you give us a current P45 (dated on or after 6 April in the current tax year).

Usually, HMRC will issue a new tax code for us to use for future payments. Any overpaid tax should be repaid to you over the rest of the tax year with your regular payments.

Depending on the amount of the taxable lump sum you take, it may take several instalments to refund all the overpaid tax.

However, it may not always be possible to refund the tax to you in this way. It will depend on your circumstances and the tax code provided by HMRC.

HMRC will review your circumstances at the end of each tax year. They will arrange for any overpaid or underpaid tax that couldn't be corrected during the tax year to be refunded or reclaimed.

If you don't want to wait for HMRC to do this, you can contact them directly.

HMRC have sent me a new tax code. How will this affect me?

HMRC will always tell us your new tax code. We'll update our records, and the amount you receive may increase or reduce as a result.

If your new tax code applies from the beginning of the next tax year, you'll see the change in your first payment after 5 April. The amount you receive may increase or reduce depending on the tax code we have.

Why is no tax being taken from my payments?

If your total income is below a certain amount, you won't have to pay tax. There are other circumstances where you may not have to pay tax. These are explained in our key features document.

Where can I find more information about tax?

For more information, please visit gov.uk/government/organisations/hm-revenue-customs



This document is based on our understanding of current HMRC rules and processes and is not tax advice. How you're taxed depends on your circumstances, and tax rules may change in the future.

FOR MORE INFORMATION

Call: **01737 233 297**

Lines are open Monday to Friday, 8.30am to 5.30pm
Please note your call may be monitored and recorded
and call charges may apply.

Email: support@wearejust.co.uk

Or visit our website for further information: wearejust.co.uk

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