PHOENIX WEALTH

TAX AND YOUR PENSION

This leaflet explains different tax situations that could apply to you as a member of the Retirement Wealth Account, Family Suntrust, The Personal Pension, The Executive Pension and The Section 32.

The information is based on our interpretation of current UK tax legislation and HM Revenue & Customs (HMRC) practice. It should not be treated as legal advice or relied upon as a statement of law.

Registered pension schemes follow HMRC rules on payments and benefits. If these are not followed, you could pay more tax than you need to. Tax rules can change in the future and depend on your individual circumstances. If you are unsure about anything in this leaflet, or you want to know the tax limits relevant to your personal circumstances, please speak to your financial adviser.

How will my contributions receive tax relief?

Relief at source

We are able to increase your personal contributions by an amount equivalent to basic rate tax in the UK country in which you are deemed tax resident. This amount is known as tax relief. We invest the gross increased amount on your behalf. We then reclaim the tax amount added from HMRC.

If you pay tax above the basic rate, you can claim further tax relief. You can do this through your self-assessment tax return, or, if you don't complete a return, you can contact HMRC. Any contributions your employer makes, including those made via salary sacrifice, are paid on a gross basis.

For example:

If you want to make a contribution of £100, you pay £80. £20 tax relief is added to your plan and we claim this back from HMRC.

Through your salary (The Executive Pension only)

Your employer deducts contributions from your gross pay before income tax is deducted. Regular contributions, together with your employer's contributions, are then paid to us on a gross basis.

Making contributions through your salary means you receive tax relief at your highest rate immediately.

ARE THERE LIMITS ON THE TAX RELIEF I CAN RECEIVE?

Yes, you are only entitled to tax relief each tax year on your personal contributions up to the greater of:

- The 'basic amount' of £3,600 (including tax relief).
- Your relevant UK earnings - all income from employment (salary, bonus, overtime commission, etc) plus any other income chargeable to income tax (trading income, royalties, holiday letting, etc) - for the tax year. Please also read the annual allowance section.

We will only accept personal contributions that are entitled to tax relief. There is no limit on the contributions that can be made by your employer.

Relevant UK Individual

You will not be entitled to tax relief if you stop being a relevant UK individual. If this happens you must let us know. You will be classified as a relevant UK individual for a tax year if you satisfy one of the following:

- You have relevant UK earnings on which UK tax may have to be paid for that year.
- You are resident in the UK at some time during that year.
- You were resident in the UK both at some time during the five tax years immediately before the tax year and when you became a member of the pension scheme.
- Your spouse or civil partner has earnings from overseas Crown employment subject to UK tax for that year.

The Annual Allowance

You may be subject to a tax charge, known as the 'annual allowance charge', if the total value of your pension savings in a tax year, under all registered pension schemes, exceeds the annual allowance for that year.

The excess amount is added to your taxable income for the year. This means the tax charge you have to pay is dependent upon your individual circumstances.

There are three levels of annual allowance that can apply to your pension scheme.

1. Your pension savings are limited to a £60,000 annual allowance in respect of all registered pension schemes. However it is possible to carry forward any unused allowance from the three previous tax years and offset against the annual allowance charge.
2. If you take an uncrystallised funds pension lump sum, or pension income through flexi-access, an additional annual allowance in respect of money purchase pension schemes is triggered. This is known as the Money Purchase Annual Allowance. It limits your money purchase contributions to £10,000 per annum, after which you will be subject to an annual allowance charge. It is not possible to carry forward any unused allowance from a previous tax year.
3. For anyone with an income over £260,000 the Annual Allowance will reduce by £1 for every £2 over that limit. The maximum reduction is £50,000. This is known as the tapered annual allowance.

   Income means your taxable income, including income from savings and investments, plus the value of employer contributions to a registered pension scheme.

The normal pension savings limit of £60,000 per annum will continue to apply to pension savings into defined benefit pension arrangements, such as a final salary scheme, although this will be reduced by the lower of the amount paid into money purchase pension schemes and £10,000.

In the tax year the £10,000 per annum limit is triggered contributions already made in that tax year are not subject to this £10,000 limit.

WILL I HAVE TO PAY TAX THROUGH MY PLAN?

Whether you have to pay tax, and the amount you would have to pay, will depend on the choices you have made and your personal circumstances.

Investments

The growth in the value of your investments are currently free of UK taxes on capital gains and investment income. However, we cannot claim back tax credits on dividends received from any investments made in UK shares or withholding tax on non-UK equity. Any investments the plan holds in overseas assets will be subject to the tax rules in that country. For some specialist investments, VAT may apply.

Benefits

When you take benefits you can use as little or as much of your fund as you want once you have reached minimum pension age (normally age 55, rising to 57 from 6 April 2028). You will be able to access your pension fund in the following three ways:

1. Flexi-access drawdown (including drip-feed)

Normally 25% of the fund you use will be paid tax-free. The other 75% will remain invested in your policy/scheme and become your flexi-access drawdown fund.

You will be able to take regular and/or one off income payments from your drawdown fund until funds run out. All drawdown payments will be taxed under PAYE as pension income.

2. Uncrystallised funds pension lump sum

Normally 25% of the amount you're taking will be paid tax-free. The remaining 75% will be paid as one-off lump sum taxable as income. This could be an issue if you're still working and want to access your pension savings early. Any withdrawal of funds could increase your income tax bill and could even take you into a higher tax bracket.

3. Annuities

Normally 25% of the fund you use to buy an annuity will be tax-free. You can use the remainder to give you a secure income. Your annuity income payments will normally be made after the tax payable has been deducted.

For all of these withdrawals the level of tax will depend on your personal circumstances at the time they are paid.

We include more information about your benefit options in the **Pension benefits guide**.

Lump sum allowance (LSA)

The LSA is the maximum amount of benefits you can normally take as a tax-free lump sum from all of your pension savings. Currently the limit is £268,275, although this could be higher if you have certain protections.

Each time you take benefits, we look at the amount of tax-free cash you have taken from **all** of your pensions to see if you exceed your LSA. Any excess will potentially be subject to tax.

Lump sum and death benefit allowance (LSDBA)

The LSDBA is the maximum amount of benefits you or your beneficiaries can take from **all** your pension schemes as a tax-free lump sum.

It applies when you take a Pension Commencement Lump Sum (PCLS) and to the tax-free part of an Uncrystallised Funds Pension Lump Sum (UFPLS). It also applies to serious ill-health lump sums paid before you reach age 75, and lump sum death benefits if you die before reaching age 75.

The current level of LSDBA is £1,073,100 but this may be higher if you hold a protected allowance. Any withdrawals that exceed this limit would be taxed.

You would need to tell us how you would like to use any pension funds in excess of your remaining LSDBA. You will normally have the option of:

- Having the excess paid as a lump sum, which will be subject to PAYE tax at your marginal rate.
- Using the excess to provide an income. Any income taken will be subject to PAYE tax at your marginal rate.
- A combination of both lump sum and income.

You can get more information about LSA and LSDBA at **www.moneyhelper.org.uk**.

Inheritance tax (IHT)

You may be concerned about the IHT implications. There are a number of exemptions and concessions, which mean that, in most situations, the value of your benefit will not form part of your estate for assessing IHT. You should consider the impact of IHT, the potential exemptions and concessions and the need for specialist advice with your financial adviser before making any decisions regarding benefits.

When you die

There are different factors that determine what level of tax your dependents or nominated beneficiaries would pay when they receive death benefits.

The tables below clarify how they may be affected. The same tax rules apply to any death benefits payable from an annuity policy.

- You are under 75 when you die and your pension fund is paid out **within** two years of the notification of your death.

Benefits taken as	Beneficiary type	Tax position*
Lump sum	Individual	No tax
Lump sum	Non-individual (Trust, Estate, etc)	No tax
Pension income	Individual	Income payments paid tax free

* Lump sum death benefits in excess of the LSDBA will be subject to income tax at the recipient's marginal rate. However, any death benefits taken as pension income will be tax free and aren't considered against the lump sum and death benefit allowance.

- You are over 75 when you die;

OR

- You are under 75 when you die and your pension fund is paid out **after** two years of the notification of your death.

Benefits taken as	Beneficiary type	Tax position
Lump sum	Individual	Taxable via PAYE at beneficiary's marginal rate
Lump sum	Non-individual (Trust, Estate, etc)	Taxed at flat rate of 45%*
Pension income	Individual	Taxable via PAYE at beneficiary's marginal rate

* Individual beneficiaries of a trust who indirectly receive part of the lump sum as a payment from the trust may be liable at a lower rate of income tax on they amount they receive. They may be able to claim a refund of some, or all, of the tax paid by the scheme administrator.

You need to think about:

Successor drawdown is an option when the beneficiary dies. The tax treatment and options are the same as we've shown above.

Are there any other tax implications I should consider?

Registered pension schemes qualify for tax privileged treatment. As a result, HMRC specifies a number of rules regarding the type of payments a scheme can make and the benefits it can provide. Payments or benefits that do not comply with these rules are known as unauthorised payments and are subject to specific tax charges. You should speak to your financial adviser for details about these charges.

Situations that could result in an unauthorised payment include:

Investments

Investments that are not made on normal commercial terms or do not comply with HMRC's rules on investments will give rise to tax charges as unauthorised payments. This includes investments defined by HMRC as 'taxable property', i.e. most types of residential property and tangible moveable assets such as works of art, vehicles and machinery.

Adviser Charges

If HMRC decides that an adviser charge paid from the Scheme is inappropriate, this may be treated as an unauthorised payment.

Benefit Payments

In addition, certain benefit payments may be treated as unauthorised payments. This could be a tax-free lump sum payment that exceeds HMRC's authorised limits, or other payments to individuals or companies that do not comply with the tax rules for authorised payments.

Recycling

Legislation prohibits the reinvestment of any tax-free lump sum back into a registered pension scheme where the amount of contributions paid into the scheme by (or in respect of) you is significantly greater than you would normally pay. This is known as recycling.

A tax-free lump sum is therefore treated as an unauthorised payment when that lump sum is used as part of a recycling device.

It is your responsibility to make sure that any amount you re-invest satisfies the restrictions imposed under the recycling legislation.

You should speak to your financial adviser for details about when the recycling rules apply.

De-registering

In certain circumstances making an unauthorised payment can lead to HMRC de-registering a plan. If a plan is de-registered, a tax charge of 40% of the plan value will arise and other pension tax privileges will be lost. This will affect all benefits under the plan.

If a plan is being considered for de-registration, no further contributions can be made to it. The tax treatment of benefit payments will no longer be in accordance with the rules for registered pension schemes and specialist tax advice would be needed.

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