PHOENIX WEALTH

HOW DEATH BENEFIT PAYMENTS ARE TAXED

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

The tables below clarify how they may be affected.

1) If you have an uncrystallised or drawdown fund...

- 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 lump sum and death benefit allowance (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 LSDBA.

- 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 in this leaflet.

Next steps

If you want to tell us how you would like your pension benefits to be dealt with when you die please send us a completed copy of the **Death benefits options** form. This is available from our literature library at www.phoenixwealth.co.uk/Literature.

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PH_GEN0034 | October 2026