



Tax facts - pensions

Are you planning to access your private pension?

If so, these tax facts will help you understand the process.

What is a private pension?

It can be:

- a retirement annuity
- a company pension
- a personal pension.

A private pension can be accessed before the State Pension age.

What is a pension provider?

A pension provider is the financial institution (such as an insurance company or a bank) authorised to provide private pensions.

Is my private pension taxable?

Your private pension is treated as income for tax purposes. Your pension provider will collect any tax due. They'll deduct it through the Pay As You Earn (PAYE) system in the same way as an employer.

How will my pension provider know how much tax to deduct?

Your pension provider will tell us when your private pension has begun. They'll initially use the tax code in accordance with HMRC guidelines. If we need to amend the tax code, we'll send you and the pension provider a new tax code.

Want more information?

You will shortly receive a factsheet with *Pension coding form*, P161.

The factsheet tells you the basics about Income Tax and what you need to do as you reach State Pension age.

For more information about tax and pensions:

- go to www.hmrc.gov.uk/pensioners
- or contact any HMRC office or Enquiry Centre. You'll find us in *The Phone Book* under *HM Revenue & Customs*.

State Pension age

The State Pension age is 65 for men and 60 for women born before 6 April 1950.

For women born on or after 6 April 1950, it will gradually increase from 60 to 65 between 2010 and 2020.

National Insurance contributions

Once you're over State Pension age, you don't have to pay National Insurance contributions (NICs), even if you carry on working. No NICs are deducted from your pension.

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Do I need to complete any forms?

Shortly after you start to get your private pension we'll send you a form P161 *Pension coding form* asking for details of your income, including pension and investment income.

It's very important that you complete and return it. This will help make sure you don't pay too much tax. You are responsible for making sure you pay the right amount of tax at the right time.

Will you need this information again in the future?

Like private pensions, your State Pension is also taxable. So, when you're nearly at State Pension age we'll send you another P161 *Pension coding form* asking you for details of your income. We'll use the information on the P161 form to work out the allowances you are entitled to. Then we'll send you and your pension provider an amended tax code.

Can I claim a tax refund?

If you have a small private pension and choose to take it as a lump sum instead of getting a small pension each month, you may pay too much tax and need to claim it back. To do this ask your HMRC office for form P53 *Trivial Pension/Annuity Commutation*.

If you pay tax through self-assessment you should declare any lump sum payments on your next return. Please do not claim a repayment.

What information do I keep?

We advise you to keep your pension records for 22 months from the end of the tax year they relate to. For example, you may wish to keep annual pension declarations or P60s from your pension provider to help you find your PAYE reference number and pension amounts when you complete the form P161 that we send you.

These notes are for guidance only and reflect the position at the time of writing. They do not affect any right of appeal.

When do I need to contact you?

We know that things can change and that income levels can go up and down. This can include income from full or part-time work or multiple pensions. So it is important that you tell us about these changes when they happen.

Issued by

HM Revenue & Customs

Customer Information Team

May 2009

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