

# Tax on a private pension you inherit

You may have to pay tax on payments you get from someone else's pension pot after they die.

There are [different rules on inheriting the State Pension \(/new-state-pension/inheriting-or-increasing-state-pension-from-a-spouse-or-civil-partner\)](#).

## Who can get payments

The person who died will usually have [nominated you \(/plan-retirement-income/private-pensions\)](#) (told their pension provider to give you money from their pension pot).

But sometimes the provider can pay the money to someone else, for example if the nominated person cannot be found or has died.

A pension from a [defined benefit \(/pension-types\)](#) pot can usually only be paid to a dependant of the person who died, for example a husband, wife, civil partner or child under 23. It can sometimes be paid to someone else if the pension scheme's rules allow it - but it will be taxed at up to 55% as an [unauthorised payment \(/tax-on-pension/higher-tax-on-unauthorised-payments\)](#).

## Passing on a pension pot you inherited

If you inherit a [defined contribution \(/pension-types\)](#) pot you can nominate someone to get any money you do not use before your death. The money must be in a [flexi-access drawdown fund \(/personal-pensions-your-rights/how-your-pension-is-paid\)](#) when you die.

## When you pay tax

Whether you pay tax usually depends on the:

- type of payment you get
- type of pension pot
- age of the pension pot's owner when they died

Payment	Type of pot	Age its owner died	Tax you usually pay
<b>Most lump sums</b>	<a href="#">Defined contribution</a> or <a href="#">defined benefit</a>	Under 75	No tax, unless your lump sum is above the pension pot owner's <a href="#">lump sum and death benefit allowance</a>
<b>Most lump sums</b>	Defined contribution or defined benefit	75 or over	<a href="#">Income Tax</a> deducted by the provider
<b><a href="#">Trivial commutation lump sums</a></b>	Defined contribution or defined benefit	Any age	<a href="#">Income Tax</a> deducted by the provider
<b>Annuity or money from a new <a href="#">drawdown fund</a> (set up or converted and first accessed from 6 April 2015)</b>	Defined contribution	Under 75	No tax
<b>Money from an old drawdown fund (a '<a href="#">capped</a>' fund or a fund first accessed before 6 April 2015)</b>	Defined contribution	Under 75	<a href="#">Income Tax</a> deducted by the provider
<b>Annuity or money from a drawdown fund</b>	Defined contribution	75 or over	<a href="#">Income Tax</a> deducted by the provider
<b>Pension provided by the scheme</b>	Defined contribution or defined benefit	Any age	<a href="#">Income Tax</a> deducted by the provider

You may also have to pay tax if the pension pot's owner was under 75 when they died and any of the following apply:

- you're paid the lump sum more than 2 years after the pension provider is told of the death

- the lump sum is above the pension pot owner's [lump sum and death benefit allowance \(/guidance/find-out-the-rules-around-individual-lump-sum-allowances#individual-lump-sum-and-death-benefit-allowance\)](#)
- they died before 3 December 2014 and you buy an annuity from the pot

### **If you're paid a lump sum more than 2 years after the provider is told of the death**

You'll need to pay [Income Tax \(/income-tax-rates\)](#) on the whole lump sum.

The pension provider will deduct any tax due before making payment to you.

The person dealing with the estate must tell the pension provider within 13 months of the death or 30 days after they realise you owe tax (whichever is later).

### **If you get a death benefit payment that's above the pension pot owner's lump sum and death benefit allowance**

Lump sum death benefits include:

- defined benefits
- uncrystallised funds
- pension protection
- annuity protection
- flexi-access drawdown pension fund
- drawdown pension fund

The person dealing with the estate must tell HMRC if lump sum death benefits paid to beneficiaries go over the [lump sum and death benefit allowance \(/guidance/find-out-the-rules-around-individual-lump-sum-allowances#individual-lump-sum-and-death-benefit-allowance\)](#) of the person who died. This only applies if the person who died was under 75.

They must tell HMRC within 13 months of the death or 30 days after they realise tax is owed (whichever is later).

You'll need to pay [Income Tax \(/income-tax-rates\)](#) on any payments you get that go above the lump sum and death benefit allowance of the person who died.

HMRC will send you a notice telling you what you owe and how to pay.

### **If you get an annuity and the pot's owner died before 3 December 2014**

If you buy an annuity from the pot, the provider takes [Income Tax \(/income-tax-rates\)](#) off payments before you get them.

## Inheritance Tax

You do not usually pay [Inheritance Tax \(/inheritance-tax\)](#) on a lump sum because payment is usually 'discretionary' - this means the pension provider can choose whether to pay it to you.

Ask the pension provider if payment of the lump sum was discretionary. If it was not, you may have to pay Inheritance Tax.

## If you paid too much tax

If you fill in a [Self Assessment tax return \(/self-assessment-tax-returns\)](#) each year, you'll get a refund when you've sent your return.

If you do not, the form you fill in to claim your refund depends on whether the payment:

- used up the pension pot and [you have no other income \(/government/publications/income-tax-claim-for-a-repayment-of-tax-when-you-have-stopped-working-pension-death-benefit-lump-sum-p50zdb\)](#) in the tax year
- used up the pension pot and [you have other taxable income \(/government/publications/income-tax-pension-death-benefit-lump-sum-repayment-claim-tax-year-2016-to-2017-p53zdb\)](#)
- [did not use up the pension pot \(/government/publications/income-tax-flexibly-accessed-pension-death-benefit-payment-repayment-claim-tax-year-2016-to-2017-p55db\)](#) and you're not taking regular payments

There's a different way to claim if [your payment came from a trust \(/trusts-taxes/beneficiaries-paying-and-reclaiming-tax-on-trusts\)](#).

