

Lump sums: how they affect your tax-free pension and death benefit allowances

June 2026



Information about any lump sums you've taken and how they affect your tax-free pension and death benefit allowances

Why is the lump sum quoted on my P60 different from the lump sum I received?

The Lump Sum Allowance and the Lump Sum and Death Benefit Allowance were both introduced from 6 April 2024. These provide an upper limit to the amount of tax-free lump sums that can be paid to you over your lifetime from a pension scheme. A check is made against these allowances when benefits are paid.

The Lump Sum Allowance is the maximum amount of retirement tax-free benefits that you can take from all your pension schemes. The standard Lump Sum Allowance is currently £268,275, but it may be higher if you've a protected allowance.

The Lump Sum and Death Benefit Allowance is the maximum amount of tax-free benefits that you or your beneficiaries can take from all your pension schemes. This is currently £1,073,100, but it may be higher if you've a protected allowance.

The amounts that we've quoted on your P60 is how much of the allowances you've used up when taking benefits from the Scheme. We're required to tell you this information every year.

The amounts quoted on your P60 may be based on the tax-free lump sum(s) you were paid if you retired on or after 6 April 2024. If you retired before 6 April 2024 it's based on a formula which may produce a different result from the amount actually paid. This formula is set out in legislation, and the amount can only be changed if a 'transitional tax-free amount certificate' is held.

What's the calculation used relating to lump sums paid between 6 April 2006 and 5 April 2024?

If you took any benefits between 6 April 2006 and 5 April 2024, you would have used up a percentage of the Lifetime Allowance. You will have been sent a Statement confirming the payment of your benefits.

We're required to convert the percentage of Lifetime Allowance used up, into a monetary amount. It's this monetary amount that's used to make a deduction from your available Lump Sum Allowance and Lump Sum and Death Benefit Allowance.

For members who don't hold protection, the monetary amount is calculated as:

Percentage of Lifetime Allowance used up x £1,073,100.

The value of £1,073,100 is used because it was the standard Lifetime Allowance on 5 April 2024, i.e. the day before the legislation was changed. Both the Lump Sum Allowance and Lump Sum and Death Benefit Allowance usage is based on 25% of the Lifetime Allowance you'd previously used. As long as you'd not exceeded the Lifetime Allowance.

If you exceed the Lifetime Allowance, the Lump Sum Death Benefit Allowance is reduced by 100% of this amount.

What do I need to do with these figures?

Please keep the information safe because you may need to disclose it if you take any other lump sums from a pension scheme in the future.

Do you report these figures to HMRC?

No. The information about your allowance usage, which is on the P60, isn't automatically reported to HMRC. However, the Scheme must submit a separate report after the tax year end to HMRC when:

- 1) the Scheme makes a lump sum payment which uses up one of your available allowances, or
- 2) the Scheme makes a lump sum payment that would have exceeded one of your allowances, but you hold protection that increases your allowances.

Most people will not use up their allowances, so the data would never be reported.

Previous P60s had a Lifetime Allowance percentage. Why are you not displaying Lifetime Allowance information this year?

The Lifetime Allowance was removed from pensions legislation from 6 April 2024. Tax free lump sums are now tested against the Lump Sum Allowance and the Lump Sum and Death Benefit Allowance. As a result, annual notifications of Lifetime Allowances percentages stopped from 6 April 2024.

Instead, you'll now receive an annual notification of how much of the new allowances you've used up. As you took benefits before 6 April 2024, we've converted your Lifetime Allowance usage into Lump Sum Allowance and Lump Sum and Death Benefit Allowance usage. This is done using a prescribed formula which is set out in legislation and may not match the amount of lump sum you received.

Why do the figures not match the lump sum I took on retirement? Why do the figures not align to the amount of Lifetime Allowance I used up at retirement?

For members who hold protections, a different amount of Lifetime Allowance is used in the formula.

The Lifetime Allowance of £1,073,100 as of 5 April 2024 is used in the calculation rather than the Lifetime Allowance that was in force at the date(s) of retirement. This is the reason why the figures may not match up to the lump sum you took, even if you took the maximum 25% amount.

It may be possible for you to apply for a transitional tax-free amount certificate which will mean that the allowance usage would instead be based on the amount of tax-free lump sum(s) you received. This application must be done before you take any benefits on or after 6 April 2024.

If you'd like to apply for a certificate, we can send you an application form or you can request one from any other scheme of which you're a member. However, not everybody will be better off by applying for a certificate so consider taking professional independent advice.

In addition, some benefits aren't tested against the allowances. Lump sum payments under £10,000 or trivial commutation lump sums aren't tested against the Lump Sum Allowance, or the Lump Sum and Death Benefit Allowance.

How much of each allowance do I have left?

The figure we've quoted is the amount of Lump Sum Allowance and Lump Sum and Death Benefit Allowance that you've used in this Scheme.

If you've taken benefits from any other schemes, you'll need to request this information from each of your pension schemes and then add the amounts together. This will allow you to work out the total allowances used up.

You then need to deduct these amounts from the Lump Sum Allowance and Lump Sum and Death Benefit Allowance that applies to you. The standard amounts are currently £268,275 for the Lump Sum Allowance and £1,073,100 for the Lump Sum and Death Benefit Allowance. Higher amounts can apply to members who hold Lifetime Allowance protections.

Where there is any difference between the legislation governing the Teachers' Pension Scheme and the information in this factsheet the legislation will apply.