



DEATH BENEFITS: TAKING SMALL DEPENDANTS' PENSIONS AS A LUMP SUM

What is a trivial commutation lump sum death benefit?

If you are entitled to a small dependant's pension from a pension scheme, this can be taken as a cash lump sum instead. This is a trivial commutation lump sum death benefit. It can be paid from any type of pension scheme and must extinguish all your rights to death benefits under the scheme.

How much can be paid as a trivial commutation lump sum death benefit?

The maximum trivial commutation lump sum death benefit that can be paid from any scheme is £18,000. This is a maximum amount per scheme, not the maximum across all schemes. As is normal with HMRC limits, the £18,000 is the amount before tax (i.e. the gross figure).

When can a trivial commutation lump sum death benefit be paid?

If your partner died on or after 6 April 2011 then a trivial commutation lump sum death benefit can be paid whatever their age was when they died. There is no time limit for making the payment. You can commute a dependant's pension that is just about to start or one that is already being paid.

Who can be paid a trivial commutation lump sum death benefit?

The dependant who was due to be paid the dependant's pension is the person who should get this lump sum.

Is a trivial commutation lump sum death benefit tested against the lifetime allowance?

No.

How is a trivial commutation lump sum death benefit taxed?

The whole lump sum is taxable as if it was part of your income. The pension scheme administrator should deduct the tax from the lump sum payment before it is paid to you.

Is inheritance tax due on payment of a trivial commutation lump sum death benefit?

Inheritance tax will not normally apply.

About Us

The Pensions Advisory Service has been providing free help and guidance to members of the public on pension matters since 1983 either by telephone or written advice. We can also help people who have a pension complaint or dispute.

Contacting us

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