State Pension Deferral – your guide

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Part of the Department for Work and Pensions

Contents

Introduction

State Pension deferral is when you put off claiming, or decide to give up getting, your State Pension until a time that suits you. This means that when you do claim, or claim again, you could get more money.

Pensions

Changes to the law

The Pensions Act 2007 made changes for people reaching State Pension age on or after 6 April 2010:

- the number of qualifying years you need for a full basic State Pension is now 30. Each qualifying year in which you have paid, have been treated as having paid or have been credited with National Insurance contributions will be worth 1/30th of the full basic State Pension
- a new system of National Insurance credits for a number of people, including carers
- periods for which Home Responsibilities Protection had been awarded can be converted to National Insurance credits
- some basic State Pension may be paid to people with very few qualifying years
- new claims from 6 April 2010 for an increase of State Pension for another adult will not be accepted.

When can I get my State Pension?

You can get your State Pension when you reach State Pension age, but you need to be entitled to it and claim it.

At the moment, the State Pension age for men born before 6 December 1953 is 65. For women born after 5 April 1950 but before 6 December 1953, their State Pension age is between 60 and 65.

Increase in State Pension age to 66

Under the Pensions Act 2011, women's State Pension age will increase more quickly to 65 between April 2016 and November 2018. From December 2018, the State Pension age for both men and women will start to increase to reach 66 in October 2020.

These changes affect you if you're:

- a woman born on or after 6 April 1953
- a man born on or after 6 December 1953.

Under the present law the State Pension age will increase to:

- 67 between 2034 and 2036
- 68 between 2044 and 2046.

However, the government has announced its intention to bring forward the date for increasing the State Pension age to 67. This change, if approved by Parliament, will affect everyone who was born between 6 April 1960 and 5 April 1969 inclusive.

The government is also considering how the State Pension age could better reflect changes in life expectancy in the future. This may mean that the existing timetable to increase State Pension age to 68 could be revised.

The date you reach State Pension age will depend on when you were born. To find out your State Pension age look at the proposed changes to State Pension age on our website. Go to **www.gov.uk/calculate-state-pension**

You do not get your State Pension automatically – you have to claim it.

Putting off claiming your State Pension

You may be able to get more State Pension by putting off your claim for a time. This means delaying when you start to get your State Pension, or choosing to stop claiming your State Pension for a time. This is known as 'State Pension deferral'.

The amount of extra money you get depends on how long you put off claiming your State Pension. You may choose one of these two options:

- taking a higher weekly State Pension for life, or
- taking a one-off, taxable lump-sum payment if you put off claiming your State Pension for at least 12 months, and then getting your normal weekly State Pension for life.

For example, if you put off claiming your State Pension for a year, when you do claim you could get an extra 10.4% – that's about an extra £1 for every £10 of State Pension you get. Or, you could get your weekly State Pension paid at the normal rate, plus a one-off, taxable lump sum. This lump sum is based on:

- the total amount of State Pension you would have received if you had not put off claiming, plus
- interest at about 2% above the Bank of England 'base rate'.

If you are already getting your State Pension, you can choose to stop getting it for a while to build up extra State Pension or a lump sum.

If you are thinking about putting off claiming your State Pension, this guide has important information you should read before you decide.

There's a summary below that explains the choices you have and there's more information on pages 50 to 56.

If, after reading the summary, you think putting off claiming your State Pension might be a good option for you, you should read the other parts of this guide. These explain the rules in more detail.

Not everything in this guide will apply to you – the contents pages will help you find what you need.

We can help explain the choices you have, but we can't give you financial advice or suggest the best choice for you.

Before you decide what to do, you may want to speak to an independent adviser, or with organisations that give information and advice on pensions. If you are thinking about getting independent advice, you may have to pay for it.

What are my choices?

You can choose when you want to start claiming your State Pension. Your State Pension age is the earliest you can start getting your State Pension, but it does not mean you have to give up work. If you choose to work for even a year or two longer, you are likely to take home more money because you do not pay any National Insurance when you are over State Pension age. Many people expect to work longer unless they have savings and investments that will give them enough money to retire. Find out more about working longer at **www.gov.uk/browse/working/state-pension**

If you are working when you reach State Pension age, you can:

- carry on working and claim your State Pension

- carry on working and put off claiming your State Pension to build up more money for the future
- stop working and claim your State Pension, or
- stop working and put off claiming your State Pension.

If you are not working when you reach State Pension age, you can choose to get your State Pension then or you can put off claiming it.

If you are already getting State Pension, you can choose to stop claiming it for a while to build up more money for the future, but you can only do this once.

If you claim Pension Credit while you are putting off claiming your State Pension, we will work out your Pension Credit as if you were getting your State Pension. We cannot pay Pension Credit instead of the State Pension you have chosen to put off getting.

From April 2011, if you or your partner decide to put off, or have already put off, claiming your State Pension while claiming Pension Credit, you will no longer build up extra State Pension or the lump sum for the days you are getting Pension Credit.

If you or your partner have put off claiming your State Pension and would like more information about how this change may affect your Pension Credit or your State Pension, please contact The Pension Service. See page 58 for contact details.

We use partner to mean a person you are married to or a person you live with as if you are married to them, or a civil partner or a person you live with as if you are civil partners.

See page 19 for more information about putting off claiming your State Pension while getting other benefits.

How much more money could I get?

How much money you could get will depend on how much State Pension you would get if you made a claim at State Pension age, and how long you put off claiming it.

You may be able to choose between:

- extra State Pension each week for the rest of your life when you claim your State Pension, or
- a one-off, lump-sum payment.

Whichever you choose, you may have to pay tax on it.

Extra State Pension

To have your extra State Pension paid each week with your State Pension, you must put off claiming your State Pension for at least five weeks.

For each full year you put off claiming, you could get about an extra £1 a week for every £10 of your State Pension.

We will treat your extra State Pension like any other income when working out Pension Credit, Housing Benefit, Council Tax Benefit and tax credits.

Lump-sum payment

You can choose to have your extra money paid as a lump sum, if you put off claiming your State Pension for at least one year without a break.

This means that you will get a one-off payment based on the amount of State Pension you would have got if you had been claiming it, as well as interest on this amount. (The interest will always be at least 2% above the Bank of England 'base rate'.) You will also get your State Pension at the normal rate when you claim it.

If you get a lump-sum payment:

- you may have to pay tax on it (this depends on any other income you may have), and
- you are making a new claim to Pension Credit, Housing Benefit or Council Tax Benefit it will not be taken into account when working out your entitlement for these benefits.

There's more about this on pages 24 to 35.

Income Tax is not deducted from your State Pension, even if you are liable to tax. If you are working while claiming your State Pension, Income Tax will be deducted from your wage in respect of your combined income, State Pension and any other pensions. If you do not work but get another pension, the pension provider will normally deduct from this other pension the Income Tax due on your total income, including your State Pension. If they don't, you may have to fill in a tax return so that you can pay any Income Tax due.

You can only start building up a lump sum from 6 April 2005, when the rules changed. This means that if you put off claiming before that date, it will only count for extra weekly State Pension, not a lump sum. (See page 45 for more about the options for people who reached State Pension age before 6 April 2005.)

Example – Extra State Pension
Ann reached State Pension age in 2009 and decided to put off claiming her State Pension. She starts claiming it from May 2011. On the date she claims, her weekly State Pension (before we add any extra State Pension) is £110. Ann has put off claiming for 100 weeks. This means she is entitled to an extra £22 a week on top of her £110. We have worked this out as follows. For every five weeks she put off claiming, we pay Ann 1% of the weekly pension she would have been receiving during that time. To work out Ann's extra State Pension for each year she put off claiming, we divide this 1% figure by five. In Ann's case this is: £110 divided by 500 = £0.22 (500 is 1% of Ann's State Pension for every five weeks she put off claiming). £0.22 x 100 (the number of weeks Ann put off claiming) = £22. Ann will get a total State Pension of £132 a week when she claims. This is made up of her £110 a week State Pension plus her £22 a week extra State Pension.

Weekly State Pension	Years you put off claiming your State Pension	Amount of State Pension you have given up	Lump-sum payment you could get, before tax (see the notes at the end)	Extra State Pension you could get, before tax (see the notes at the end)		Once you start getting your extra State Pension each week, how much it could add up to after 5, 10 or 15 years, before tax		
				Each Week	Each Year	After 5 years	After 10 years	After 15 years
£50	1	£2,600	£2,630	£5.20	£270	£1,352	£2,704	£4,056
	2	£5,200	£5,330	£10.40	£541	£2,704	£5,408	£8,112
	3	£7,800	£8,100	£15.60	£811	£4,056	£8,112	£12,168
	4	£10,400	£10,930	£20.80	£1,082	£5,408	£10,816	£16,224
	5	£13,000	£13,840	£26.00	£1,352	£6,760	£13,520	£20,280
£60	1	£3,120	£3,160	£6.24	£324	£1,622	£3,245	£4,867
	2	£6,240	£6,400	£12.48	£649	£3,245	£6,490	£9,734
	3	£9,360	£9,720	£18.72	£973	£4,867	£9,734	£14,602
	4	£12,480	£13,120	£24.96	£1,298	£6,490	£12,979	£19,469
	5	£15,600	£16,610	£31.20	£1,622	£8,112	£16,224	£24,336
£70	1	£3,640	£3,690	£7.28	£379	£1,893	£3,786	£5,678
	2	£7,280	£7,460	£14.56	£757	£3,786	£7,571	£11,357
	3	£10,920	£11,340	£21.84	£1,136	£5,678	£11,357	£17,035
	4	£14,560	£15,310	£29.12	£1,514	£7,571	£15,142	£22,714
	5	£18,200	£19,380	£36.40	£1,893	£9,464	£18,928	£28,392
£80	1	£4,160	£4,210	£8.32	£433	£2,163	£4,326	£6,490
	2	£8,320	£8,530	£16.64	£865	£4,326	£8,653	£12,979
	3	£12,480	£12,960	£24.96	£1,298	£6,490	£12,979	£19,469
	4	£16,640	£17,490	£33.28	£1,731	£8,653	£17,306	£25,958
	5	£20,800	£22,140	£41.60	£2,163	£10,816	£21,632	£32,448

Weekly State Pension	Years you put off claiming your State Pension	Amount of State Pension you have given up	Lump-sum payment you could get, before tax (see the notes at the end)	Extra State Pension you could get, before tax (see the notes at the end)		Once you start getting your extra State Pension each week, how much it could add up to after 5, 10 or 15 years, before tax		
				Each Week	Each Year	After 5 years	After 10 years	After 15 years
£90	1	£4,680	£4,740	£9.36	£487	£2,434	£4,867	£7,301
	2	£9,360	£9,600	£18.72	£973	£4,867	£9,734	£14,602
	3	£14,040	£14,580	£28.08	£1,460	£7,301	£14,602	£21,902
	4	£18,720	£19,680	£37.44	£1,947	£9,734	£19,469	£29,203
	5	£23,400	£24,910	£46.80	£2,434	£12,168	£24,336	£36,504
£100	1	£5,200	£5,270	£10.40	£541	£2,704	£5,408	£8,112
	2	£10,400	£10,660	£20.80	£1,082	£5,408	£10,816	£16,224
	3	£15,600	£16,200	£31.20	£1,622	£8,112	£16,224	£24,336
	4	£20,800	£21,870	£41.60	£2,163	£10,816	£21,632	£32,448
	5	£26,000	£27,680	£52.00	£2,704	£13,520	£27,040	£40,560
£110	1	£5,720	£5,790	£11.44	£595	£2,974	£5,949	£8,923
	2	£11,440	£11,730	£22.88	£1,190	£5,949	£11,898	£17,846
	3	£17,160	£17,820	£34.32	£1,785	£8,923	£17,846	£26,770
	4	£22,880	£24,050	£45.76	£2,380	£11,898	£23,795	£35,693
	5	£28,600	£30,450	£57.20	£2,974	£14,872	£29,744	£44,616
£120	1	£6,240	£6,320	£12.48	£649	£3,245	£6,490	£9,734
	2	£12,480	£12,800	£24.96	£1,298	£6,490	£12,979	£19,469
	3	£18,720	£19,440	£37.44	£1,947	£9,734	£19,469	£29,203
	4	£24,960	£26,240	£49.92	£2,596	£12,797	£25,958	£38,938
	5	£31,200	£33,220	£62.40	£3,245	£16,224	£32,448	£48,672

Weekly State Pension	Years you put off claiming your State Pension	Amount of State Pension you have given up	Lump-sum payment you could get, before tax (see the notes below)	Extra State Pension you could get, before tax (see the notes below)		Once you start getting your extra State Pension each week, how much it could add up to after 5, 10 or 15 years, before tax		
				Each Week	Each Year	After 5 years	After 10 years	After 15 years
£130	1	£6,760	£6,850	£13.52	£703	£3,515	£7,030	£10,546
	2	£13,520	£13,860	£27.04	£1,406	£7,030	£14,061	£21,091
	3	£20,280	£21,060	£40.56	£2,109	£10,546	£21,091	£31,637
	4	£27,040	£28,430	£54.08	£2,812	£14,061	£28,122	£42,182
	5	£33,800	£35,980	£67.60	£3,515	£17,576	£35,152	£52,728
£140	1	£7,280	£7,370	£14.56	£757	£3,786	£7,571	£11,357
	2	£14,560	£14,930	£29.12	£1,514	£7,571	£15,142	£22,714
	3	£21,840	£22,670	£43.68	£2,271	£11,357	£22,714	£34,070
	4	£29,120	£30,610	£58.24	£3,028	£15,142	£30,285	£45,427
	5	£36,400	£38,750	£72.80	£3,786	£18,928	£37,856	£56,784
£150	1	£7,800	£7,900	£15.60	£811	£4,056	£8,112	£12,168
	2	£15,600	£16,000	£31.20	£1,622	£8,112	£16,224	£24,336
	3	£23,400	£24,290	£46.80	£2,434	£12,168	£24,336	£36,504
	4	£31,200	£32,800	£62.40	£3,245	£16,224	£32,448	£48,672
	5	£39,000	£41,520	£78.00	£4,056	£20,280	£40,560	£60,840

Notes

You could get a lump sum or extra State Pension.

The lump sum you get will depend on interest rates, which may go up or down (see the next example).

The figures in the table assume that the interest rate stays at 2.5%.

Example – Lump-sum payment

Note: We use example interest rates here. We will not know the actual rates until the pension is paid. We have used exact amounts when working out interest, but the final figure will be rounded to the nearest penny.

Naeem puts off claiming his State Pension from 4 August 2008 to 1 August 2010. When he claims his State Pension he chooses a lump-sum payment. We work out his lump sum by looking at how much State Pension he would have received if he had been claiming it, and then add interest at the rate that applied at the time he would have been claiming it.

At 4 August 2008, Naeem would have got £100 a week State Pension if he had claimed it. The yearly interest rate was then 6.5% (2% above the Bank of England base rate of 4.5%). However, we add interest weekly not yearly, and this works out at 0.1212% a week.

At the end of the first week Naeem would have claimed, we take his weekly State Pension of £100 and increase it by 0.1212%. This comes to £100.1212. At the end of the second week, we add another £100 to £100.1212 (making £200.1212) and then increase the total amount by 0.1212%. This comes to £200.3637, and so on.

On 5 March 2009, the Bank of England base rate falls by a quarter of a percentage point to 4.25%. This means that the interest rate we use to work out Naeem’s lump sum also falls – to 6.25% a year (but still 2% above the Bank of England base rate), or 0.1167% a week. This change applies to Naeem’s lump sum from Monday 9 March. By this date, his lump sum, built up over the previous 31 weeks, comes to £3,160.8394.

From 9 March 2009, we add the new weekly interest rate of 0.1167% in the same way as before.

On 2 April 2009, the Bank of England base rate falls again, to 4.00%. This means that from Monday 6 April the new interest rate we apply to Naeem's lump sum will be 6.00% a year, or 0.1121% a week. At the same time, because of the yearly increase in benefits and pensions, Naeem's weekly State Pension increases to £102.70. By this date, his lump sum, built up over the previous 35 weeks with interest added, comes to £3,576.7821.

From 6 April 2009, we apply the new weekly interest rate of 0.1121% to Naeem's lump sum in the same way as before. But instead of adding £100 State Pension each week, we add the new amount of £102.70.

On 1 October 2009, the Bank of England base rate changes again, this time going up to 4.25%. So from Monday 5 October, the interest rate we apply to Naeem's lump sum goes up again to 6.25% a year, or 0.1167% a week. By this date, Naeem's lump sum, built up over the previous 61 weeks with interest added, comes to £6,393.5189.

From 5 October, we apply the new interest rate of 0.1167% as before.

On 4 February 2010, the Bank of England base rate goes up again to 4.5%, so the lump-sum interest rate also goes up, to 6.5% a year, or 0.1212% a week from Monday 8 February. By this date, Naeem's lump sum, built up over the previous 79 weeks with interest added, comes to £8,398.3299.

From 12 April 2010, Naeem's weekly State Pension rate goes up to £105.30 because of the yearly increase to benefits and pensions. By this date, his lump sum, built up over the previous 88 weeks with interest added, comes to £9,420.2864. From that date we continue to apply interest at 0.1212%, but we add the increased amount of State Pension each week, which is now £105.30.

There are no further changes before Naeem claims his State Pension from Monday 2 August 2010, exactly two years after he could have started claiming. His lump sum, worked out over a total of 104 weeks, comes to £11,306.8613 before tax.

What if I am already claiming my State Pension?

If you are already claiming State Pension, you can decide to stop claiming for a while to earn more money for your future. You can only stop claiming once.

You can stop your State Pension by telling us the date you want to stop claiming from (this cannot be a date in the past or more than 4 weeks in the future).

You must normally live in the UK to put off claiming your State Pension (see page 41, which explains when this rule may not apply).

Are there times when putting off claiming State Pension would not earn me extra money?

In general, all the weeks you put off claiming your State Pension will count towards your extra State Pension or a lump-sum payment. But there are exceptions.

You will not build up extra State Pension or a lump sum during:

1 Any days on which you have received any of the following benefits, or when another person has received

an increase in any of them for you. (This does not apply if you are not living with the person getting the increase, unless that person is your husband, wife or civil partner.):

- Carer's Allowance
- Incapacity Benefit
- Another type of State Pension (apart from Graduated Retirement Benefit or shared additional pension)
- Severe Disablement Allowance
- Unemployability Supplement
- Widow's Pension
- Widowed Mother's Allowance.

2 Any days on which you or your partner have received any of the following benefits:

- Pension Credit
- Income Support
- Income-based Employment and Support Allowance
- Income-based Jobseeker's Allowance.

If you are getting any of the above benefits, and you want to qualify for extra State Pension or a lump-sum payment by putting off claiming your State Pension, you need to tell us you want to stop receiving these benefits.

3 Any days you have been in prison because you were convicted of a criminal offence.

Shared additional pension

If you are putting off claiming shared additional pension and you get one of the benefits mentioned above, this will not stop you building up extra State Pension or a lump sum for that period. However, you will not build up extra State Pension or a lump sum for any period you are in prison.

If you can get shared additional pension (see page 39) and State Pension at the same time, you cannot normally put off claiming one while you get the other.

What counts as 'weekly State Pension' if I put off claiming State Pension?

When we work out your extra State Pension and lump-sum payments, we use a 'weekly State Pension' amount. This includes:

- basic State Pension
- additional State Pension (State Earnings Related Pension Scheme (SERPS) or State Second Pension)
- Graduated Retirement Benefit
- Incapacity Benefit age addition
- Invalidity Addition, and
- extra State Pension inherited from your late husband, wife or civil partner (see the note below); there's more on inheriting extra State Pension on pages 30 to 35.

It does **not** include:

- increases to your State Pension for another adult
- Christmas Bonus
- any extra State Pension you have previously built up by putting off claiming your State Pension
- Pension Credit, or
- for the lump sum only – any extra State Pension you have inherited because your late husband, wife or civil partner had put off claiming a Guaranteed Minimum Pension. (If you choose a lump-sum payment, you will get extra State Pension instead for that part of your weekly State Pension. We'll also include this amount in your weekly State Pension if you choose extra State Pension instead of a lump-sum payment.)

How would State Pension deferral affect my other benefits and tax credits?

If you choose to take extra weekly State Pension:

- we take it into account the same way as State Pension when we work out any Housing Benefit, Council Tax Benefit and tax credits you may get, and
- it counts as income when we work out whether you are entitled to Pension Credit.

If you choose to take a lump-sum payment:

- we will completely ignore the lump-sum payment when we work out any Pension Credit, Housing Benefit and Council Tax Benefit, even though your savings normally affect how much benefit you get, and
- it counts as extra income when HM Revenue and Customs work out any Child Tax Credit and Working Tax Credit you may get. Any extra income during the tax year may affect the amount of tax credits you get that year.

For tax credits any State Pension, extra State Pension or lump-sum payment you get is part of your 'other income'. HM Revenue and Customs ignore the first £300 a year of this. To find out more about tax credits see the HMRC website at **www.hmrc.gov.uk** or contact the Tax Credits Helpline. See page 62 for contact details.

What happens if I claim these benefits while I am putting off claiming State Pension?

If you claim Pension Credit while you are putting off claiming your State Pension (or shared additional pension), we will work out your Pension Credit as if you were getting your State Pension.

From April 2011, if you or your partner decide to put off, or have already put off, claiming your State Pension while claiming Pension Credit, you will no longer build up extra State Pension or the lump sum for the days you are getting Pension Credit.

If you or your partner have put off claiming your State Pension and would like more information about how this change may affect your claim, contact The Pension Service. See page 58 for details.

If you claim Housing Benefit or Council Tax Benefit (but not Pension Credit) while you are putting off claiming your State Pension (or shared additional pension), then the amount of pension you are putting off will not affect the amounts you can get.

If you claim tax credits while you are putting off claiming your State Pension (or shared additional pension), then the amount of pension you are putting off may not affect the amounts you can get.

Will getting extra State Pension affect other benefits I might be entitled to?

If you are getting State Pension at the same time as you are entitled to certain other benefits, we will reduce the amount of the other benefits you receive by the amount of your State Pension. This means we will not pay other benefits that are worth less than or the same as your State Pension. These other benefits are:

- Carer's Allowance
- Severe Disablement Allowance
- Unemployability Supplement
- Widow's Pension
- Widowed Mother's Allowance.

If your State Pension includes extra State Pension you earned by putting off claiming your State Pension, then we will also take this extra State Pension off the amount of the other benefit to work out how much we can pay you.

We will treat in the same way any extra State Pension you have inherited from your late:

- husband
- wife, or
- civil partner.

If you choose a lump-sum payment, we'll only reduce the other benefit by the amount of your weekly State Pension.

If you put off claiming your State Pension while you are getting any of these other benefits, or Incapacity Benefit, we won't reduce the other benefit while you are putting off claiming your State Pension. However, you won't build up any extra State Pension or lump sum for any days that you get the other benefit (see also page 16).

Shared additional pension does not affect these other benefits. So you will still be able to build up extra pension or a lump sum if you are putting off claiming your shared additional pension while you are getting these benefits. When you claim shared additional pension, we won't reduce any of these other benefits you are receiving.

How the gradual rise in State Pension age will affect benefits you may be entitled to

From 6 April 2010, the age at which women may receive their State Pension is going up to 65, to bring it in line with the State Pension age for men.

The age at which men and women can get Pension Credit will also rise in line with this.

There is more information about this on pages 5 and 6.

The State Pension age for both men and women will rise in future. Under the Pensions Act 2011 women's State Pension age will increase more quickly to 65 between April 2016 and November 2018. From December 2018 the State Pension age for both men and women will start to increase to reach 66 in October 2020.

The age at which men and women can get Pension Credit is also rising in line with this.

Your State Pension and tax

HM Revenue & Customs count State Pension as income for tax purposes. But you only have to pay Income Tax if your total income is more than your personal tax allowance (the amount of income you are allowed to have before you have to start paying tax).

These are the personal allowances for the 2011-12 and 2012-13 tax years.

	2011-12	**2012-13**
Aged under 65	£7,475	£8,105
Aged 65 to 74	£9,940	£10,500
Aged 75 and over	£10,090	£10,660

If you are aged 65 or over and you have an income above a certain amount, your personal tax allowance is reduced by £1 for every £2 of income you have above that amount. This amount is called the 'income limit'.

These are the income limits for the 2011-12 and 2012-13 tax years.

2011-12	**2012-13**
£24,000	£25,400

We do not count lump-sum payments you get for putting off claiming your State Pension for this limit.

For example, if you are aged 67 and your income for the 2012-13 tax year is £26,400 (£1,000 more than the income limit), your personal tax allowance of £10,500 would be reduced by £500 (£1 for every £2 over the income limit) to £10,000. This means you would have to pay tax on your income above £10,000. There is a limit on how much your personal tax allowance can be reduced. It cannot be reduced to less than the tax allowance for a person under 65 unless your total income is above £100,000.

From the 2013-14 tax year, the higher personal allowances are changing:

- People born after 5 April 1938 but before 6 April 1948 will be entitled to a personal allowance of £10,500.
- People born before 6 April 1938 will be entitled to a personal allowance of £10,660.

For 2013-14, people born after 5 April 1948 will be entitled to a personal allowance of £9,205. An income limit will continue to apply to the higher allowances for people born before 5 April 1948.

These are the main tax rates for the 2011-12 and 2012-13 tax years.

	Taxable income in 2011-12	**Taxable income in 2012-13**
Basic rate (20%)	£1 - £35,000	£1 - £34,370
Higher rate (40%)	£35,001 - £150,000	£34,371 - £150,000
Additional rate (50%)	Above £150,000	Above £150,000

For example, in the 2012-13 tax year, a 67-year-old man is entitled to State Pension of £107.45 and is getting a pension of £100 a week from his job. His total income of £207.45 each week would come to £10,787 for the full tax year. After taking off his personal allowance of £10,500 (for 2012-13), this leaves him with £287 income that he has to pay tax on. As his total taxable income is less than £34,370, he will pay tax at 20% on the £287.

Normally any tax due on your State Pension is taken from your other income, such as a pension from your employer or your wage if you are working. Otherwise, you may have to fill in a tax return.

Extra State Pension and tax

Extra State Pension also counts as income for tax purposes in the same way as your normal State Pension. This means you will have to pay tax on it if your total income is above your personal tax allowance.

Tax on your lump-sum payment

HM Revenue & Customs also count lump-sum payments for putting off claiming your State Pension as income for tax purposes. But the amount of tax you may have to pay on your lump sum is worked out differently. The lump sum is not added to the rest of your income to work out your total income for tax. Instead, the rate of tax due on your lump sum will be the highest main rate of tax that you pay on your other income.

Any of the special rates of tax that apply to savings and dividends you may receive are not counted. 'Other income' also includes any weekly State Pension you get once you have started to claim it.

The tax rules for State Pension lump-sum payments are different from the tax rules that apply to any lump-sum payment that you may get from your employer's pension scheme or a private pension.

This means that, for the State Pension lump sum:

- if you pay no tax because your other income is less than your personal allowance, you will not pay tax on your lump sum
- if you pay tax on any part of your other income at 20%, you will pay tax on your lump sum at 20%
- if you pay tax on any part of your other income at 40%, you will pay tax on your lump sum at 40%, and
- if you pay tax on any part of your other income at 50%, you will pay tax on your lump sum at 50%.

Your lump-sum payment won't put you into a higher rate of tax than the rate that already applies to your other income. Also, if you are aged 65 or over, it won't reduce any age-related personal tax allowance you might have.

Any of the special alternative rates of tax do not apply to the tax rate for the lump sum. You can see details of the alternative rates of tax by going to **www.hmrc.gov.uk/rates/it.htm**

Example
Derek is 67 and has claimed his State Pension in the 2012-13 tax year after putting it off for two years. His income from his weekly State Pension and an occupational pension comes to £14,040 for the year. After taking off his Income Tax personal allowance of £10,500 this leaves £3,540 that he must pay tax on. He will pay tax at the 20% basic rate. Derek is entitled to his lump-sum payment in the 2012-13 tax year. His lump-sum payment is £12,000 before tax. As he has to pay tax at 20% on his other income, he will also have to pay tax on his lump sum. So, after paying £2,400 tax on his lump sum, he will get a lump-sum payment of £9,600. Although his lump-sum payment and other income before tax come to more than £25,400 (£12,000 + £14,040 = £26,040), he is still entitled to the full age-related personal tax allowance - his lump-sum payment does not affect this.

Choosing when you receive your lump-sum payment

The tax you pay on your lump sum will usually depend on the tax rate that applies to your other income in the tax year that you start claiming your State Pension. If you reach State Pension age on or after 6 April 2010 your State Pension will be paid at the end of your benefit week. Your benefit week will be based on your National Insurance number. So, if you told us on 8 April 2011 (which is a Friday) that you wanted to start claiming your State Pension, and you are due to be paid on a Monday, your first payment is due on Monday 18 April (for the period 12 April to 18 April, Tuesday to Monday).

If you chose a lump-sum payment, we would work it out for the period you had put off claiming, up to and including Monday 11 April. The tax year we use for working out how much tax you have to pay on your lump sum would be the tax year including 11 April – that is, the one starting on 6 April 2011 and ending on 5 April 2012.

However, you can ask us to delay paying you your lump sum until the tax year **after** the tax year in which your State Pension claim starts. Using our example, this would be the tax year starting on 6 April 2012. If you choose to do this, we will base the tax you will have to pay on your lump sum on the tax rate that applies to your other income in that later tax year.

You may want to do this if you think you would have to pay tax on your other income at a lower rate in the tax year after you start claiming your State Pension. This could happen, for example, if your income in the next tax year is lower because you are no longer working. If your tax rate is lower in the year after you start claiming, you will only have to pay tax on your lump sum at the lower rate (for example, 20% instead of 40%).

Having less income in the tax year after you start claiming your State Pension will not automatically mean you pay tax at a lower rate. If you are expecting your income to be less, but you are not sure how this will affect the tax you will have to pay, you should ask your local HM Revenue & Customs Enquiry Centre for advice before you ask us to delay paying you your lump sum. See page 59 for contact details.

If you want us to base the tax on your lump sum on your income for the tax year after you would normally start claiming your State Pension, you will have to tell us this when you choose to take a lump-sum payment. It will mean we cannot pay you your lump sum before the start of that later tax year. For example, say you started claiming your State Pension in December 2011 but you wanted us to base the tax on your lump sum on the income you expect to have in the tax year starting on 6 April 2012. We could not then pay you your lump sum before 6 April 2012.

You will not build up any extra interest on your lump sum for any period you ask us to delay paying it. But, if you ask us to delay paying your lump sum and you then change your mind, we can pay your lump sum straight away. We would then base the tax on your income in the tax year you would have started claiming your State Pension.

How tax will be taken off your lump-sum payment

We will pay you your lump sum after taking tax off first. If you choose a lump-sum payment, we will ask you to fill in a simple form so we know what amount of tax to take off. This will be based on what you estimate your income is going to be for the tax year you want us to pay your lump sum.

We send you information with the form to help you work this out. You can also contact HM Revenue & Customs (see page 59) if you are not sure about how to fill in the form.

HM Revenue & Customs will check the tax we have taken off at the end of the tax year, so they can repay you if you have paid too much tax or ask you to pay them extra if you have not paid enough. You may not have paid enough tax because your circumstances have changed since you told us what rate of tax to apply – for example, you may have taken a part-time job and the extra income may mean you pay tax at a higher rate.

How different circumstances affect extra State Pension and lump-sum payments

What happens if I die?

This depends on whether you are married or in a civil partnership, and whether you die before or after you claim your State Pension.

If you are married or in a civil partnership and you die, your husband, wife or civil partner may be entitled to get extra State Pension or a lump-sum payment because you put off claiming your State Pension.

If you put off claiming your **shared additional pension**, the rules are different. However, your husband, wife or civil partner could still inherit all or part of the lump sum from putting off your shared additional pension if you had already claimed your State Pension and had chosen a lump sum before you died. In this case it will form part of your estate.

If you die after claiming your State Pension but before choosing to get extra State Pension or a lump-sum payment, someone may be appointed to make this choice on behalf of your estate. (You have three months after claiming your State Pension to decide whether you want to get extra State Pension or a lump-sum payment.)

What happens if my husband dies?

If your husband had put off claiming his State Pension before he died, you may be able to get extra State Pension or a lump-sum payment for the period he had put off his claim. This will apply if you:

- were married to him on the date he died
- have claimed your State Pension, and
- had not remarried or formed a civil partnership before you reached State Pension age.

Any extra State Pension or lump-sum payment you may get because your husband had put off claiming his State Pension is on top of any extra State Pension or lump-sum payment you may have earned by putting off claiming your own State Pension.

If your husband dies before claiming his State Pension and he has put off claiming for at least 12 months, then when you claim your own State Pension you will normally be able to choose extra State Pension or a lump-sum payment for the period he had put off claiming.

If your husband dies before claiming his State Pension and he has put off claiming for less than 12 months, but for at least five weeks, you could still get extra State Pension with your own State Pension.

If your husband dies after claiming his State Pension and he has chosen to get extra State Pension, you will get extra State Pension paid with your weekly State Pension when you claim it. This would also be the case if he was getting extra State Pension because he had not put off claiming for long enough to be able to choose a lump-sum payment.

If your husband dies after claiming his State Pension and he has chosen a lump-sum payment, the lump sum will form part of his estate. If he was still waiting for the payment when he died, it may be paid to his estate.

If your husband dies, you cannot change the choice he made before his death.

If your husband dies after claiming his State Pension but before choosing whether to receive extra State Pension or a lump-sum payment, someone may make this choice on behalf of your husband's estate. This could be you, the executor of his estate (executors are legally entitled to act on behalf of someone who has died) or another suitable person. What is paid depends on the choice they make, just as it would if your husband had chosen before he died.

If you have not yet claimed your own State Pension when your husband dies, because you are below State Pension age or have put off claiming your State Pension, you will have to wait until you claim your own State Pension before you can get extra State Pension or a lump-sum payment from your husband's State Pension.

How much extra State Pension or lump-sum payment will I inherit if my husband dies?

This depends on how the State Pension your husband had put off claiming was made up. You could inherit:

- 100% of the extra State Pension or lump sum he had earned on his basic State Pension
- 50% of the extra State Pension or lump sum he had earned on his Graduated Retirement Benefit (but not any he may have got from a late wife or civil partner)
- 50% of the extra State Pension or lump sum he had earned on his State Second Pension, or
- between 50% and 100% of the extra State Pension or lump sum he had earned on his SERPS pension.

There is a limit to the amount of additional State Pension (State Second Pension and SERPS) you may receive. (This would be by combining your own additional State Pension and any additional State Pension you inherit.) See our website **www.gov.uk/browse/working/state-pension** for more information.

What if I remarry?

- If your husband dies and you remarry or form a civil partnership before you reach State Pension age, you will not be able to inherit your late husband's extra State Pension or lump-sum payment.
- If your husband dies and you remarry or form a civil partnership after you reach State Pension age, you will be able to inherit your late husband's extra State Pension or lump-sum payment.

What happens if my wife dies?

If your wife has put off claiming her State Pension before she dies, you may be able to get extra State Pension or a lump-sum payment for the period she put off claiming it. This will apply if:

- you were married to her on the date she died
- you have claimed your State Pension, and either
  - you were over State Pension age when she died, or
  - you were under State Pension age when she died, you did not remarry or form a civil partnership before you reached State Pension age, you reached State Pension age on or after 6 April 2010.

If your wife dies before claiming her State Pension and she has put off claiming for at least 12 months, you will normally be able to choose to receive extra State Pension or a lump-sum payment on top of any extra State Pension or lump-sum payment you have earned yourself.

If your wife dies before claiming her State Pension and she has put off claiming for less than 12 months, but for at least five weeks, you could still get extra State Pension.

If your wife dies after claiming her State Pension and she has chosen to receive extra State Pension, you will get extra State Pension paid with your weekly State Pension. This will also be the case if your wife had been getting extra State Pension because she had not put off claiming for long enough to be able to choose a lump-sum payment.

If your wife dies after claiming her State Pension and she has chosen a lump-sum payment, it will form part of her estate. It may be paid to her estate if she had not received the payment before her death.

If your wife dies, you cannot change the choice she made before her death.

If your wife dies after claiming her State Pension, but before choosing whether to receive extra State Pension or a lump-sum payment, then someone else may make this choice on behalf of her estate. This could be you, the executor of her estate (executors are legally entitled to act on behalf of someone who has died) or another suitable person. What is paid depends on the choice they make just as if your wife had chosen before she died.

If you have not yet claimed your own State Pension when your wife dies, because you are below State Pension age or have put off claiming it, you will have to wait until you claim your own State Pension before you can get extra State Pension or a lump-sum payment from your wife. You will lose this entitlement if you remarry or form a new civil partnership before you reach State Pension age.

How much extra State Pension or lump-sum payment will I inherit if my wife dies?

This depends on how the State Pension she had put off claiming was made up. You could inherit:

- 100% of the extra State Pension or lump sum she had earned on her basic State Pension
- 50% of the extra State Pension or lump sum she had earned on her Graduated Retirement Benefit (but not any she may have got from a late husband or civil partner)
- 50% of the extra State Pension or lump sum she had earned on her State Second Pension, or
- between 50% and 100% of the extra State Pension or lump sum she had earned on her SERPS pension.

There is a limit to the amount of additional State Pension that you may receive (by combining your own additional State Pension and any additional State Pension you inherit). See the website **www.gov.uk/browse/working/state-pension** for more information.

If any part of the State Pension that your wife had been putting off claiming was based on your National Insurance contributions, you will not be able to inherit extra State Pension or a lump-sum payment from this part of her State Pension.

What happens if my civil partner dies?

If your civil partner has put off claiming their State Pension before they die, you may be able to get extra State Pension or a lump-sum payment for the period your civil partner had put off claiming, if you:

- were in a civil partnership with them on the date they died
- have claimed your State Pension, and either
  - you were over State Pension age when they died, or
  - were under State Pension age when they died, you did not remarry or form a new civil partnership before you reached State Pension age, you reached State Pension age on or after 6 April 2010.

If your civil partner has put off claiming their State Pension for at least 12 months before they die, you would normally be able to choose extra State Pension or a lump-sum payment for the period they had put off claiming.

If your civil partner has put off claiming their State Pension for less than 12 months, but for at least five weeks, you could still get extra State Pension.

If your civil partner dies after claiming their State Pension and they have chosen to receive extra State Pension, you will get extra State Pension paid with your weekly State Pension. This will also be the case if your civil partner was getting extra State Pension because they had not put off claiming for long enough to be able to choose a lump-sum payment.

If your civil partner dies after claiming their State Pension and they have chosen to receive a lump-sum payment, it will form part of their estate. It may be paid to your civil partner's estate if they have not received the payment before their death.

If your civil partner dies, you cannot change the choice they made before their death.

If your civil partner dies after claiming their State Pension, but before choosing whether to receive extra State Pension or a lump-sum payment, then someone else may make this choice on behalf of their estate. This could be you, the executor of their estate (executors are legally entitled to act on behalf of someone who has died), or another suitable person. What is paid depends on the choice they make just as if your civil partner had chosen before they died.

If you have reached State Pension age, but have not yet claimed your own State Pension when your civil partner dies, you will have to wait until you claim your own State Pension before you can get any extra State Pension or lump-sum payment from your late civil partner. You will lose this entitlement if you marry or form a new civil partnership before you reach State Pension age.

How much extra State Pension or lump-sum payment will I inherit if my civil partner dies?

This depends on how the State Pension they had put off claiming was made up. You could inherit:

- 100% of the extra State Pension or lump sum your civil partner had earned on their basic State Pension
- 50% of the extra State Pension or lump sum your partner had earned on their Graduated Retirement Benefit (but not any they had got from a late husband, wife or civil partner)

- 50% of the extra State Pension or lump sum your civil partner had earned on their State Second Pension, or
- between 50% and 100% of the extra State Pension or lump sum your civil partner had earned on their SERPS pension.

There is a limit to the amount of additional State Pension you may receive (by combining your own additional State Pension and any additional State Pension you inherit). See the website **www.gov.uk/browse/working/state-pension** for more information.

Guaranteed Minimum Pension

If your late husband, wife or civil partner had put off claiming a Guaranteed Minimum Pension, you may be able to get 50% of any increase they earned because they had put off claiming it. (The Guaranteed Minimum Pension, which stopped building up from 1997, is the lowest amount that a salary-based occupational pension scheme must pay for contracted-out contributions that a person paid between April 1978 and April 1997 as a condition of contracting-out. This was replaced by the Reference Scheme Test for contributions paid after April 1997.) This will be paid by the occupational pension scheme provider.

How we pay inherited extra State Pension and lump-sum payments

Extra State Pension

If you inherit extra State Pension from your husband, wife or civil partner:

- it is paid with your weekly State Pension (if you are claiming it), or
- it is included in the rate of weekly State Pension we use to work out the amount of extra State Pension or lump-sum payment you have earned if you have put off claiming your State Pension.

If your State Pension is increased because your late husband, wife or civil partner had put off claiming a Guaranteed Minimum Pension, and you have put off claiming your own State Pension, the part you inherit will only qualify for extra State Pension. It won't qualify for a lump-sum payment. You will still be able to choose a lump-sum payment for your own State Pension which you have put off claiming.

Lump-sum payments

If your husband, wife or civil partner dies before claiming their State Pension, and you have not remarried or formed a new civil partnership, you can choose to take a lump-sum payment.

Remember:

- you cannot make this choice until you claim your own State Pension
- you will not build up any more interest on the lump-sum payment you inherit if you put off claiming your own State Pension.

What if I qualify for basic State Pension based on my husband's, wife's or civil partner's National Insurance contribution record?

If you are entitled to less than £64.40 a week basic State Pension based on your own National Insurance record, you could qualify for some basic State Pension based on your husband's, wife's or civil partner's National Insurance record if:

- you are a married woman and you and your husband have both reached State Pension age, or
- you are a married man or civil partner, your wife or civil partner was born on or after 6 April 1950 and you have both reached State Pension age.

A State Pension based on your husband's, wife's or civil partner's National Insurance record is called a 'Category B' pension.

The 'date of birth' rule for married men and civil partners means that you cannot be entitled to a Category B pension before:

- 6 May 2010 if you are a married man or a woman in a civil partnership, and
- 6 April 2015 if you are a man in a civil partnership.

If you are entitled to some basic State Pension in your own right, the Category B pension can top this up.

If you are entitled to some State Pension from your own National Insurance contributions and a top-up from your husband's, wife's or civil partner's contributions, you have to put off claiming both parts of your State Pension if you want to earn extra State Pension or a lump sum.

This does not apply if:

- you are only entitled to Graduated Retirement Benefit from your own National Insurance contributions, and
- you started getting this before you became entitled to another type of State Pension.

In this case, you don’t have to stop getting your Graduated Retirement Benefit to earn extra State Pension or a lump sum from putting off claiming the other State Pension.

If you’re not sure what you may get based on your own or your husband’s, wife's or civil partner's National Insurance contributions, contact The Pension Service. See page 58 for contact details.

Important: Until 6 April 2010, a married woman whose husband reached State Pension age and decided to put off claiming his State Pension could not claim any Category B pension until he started claiming his State Pension. From 6 April 2010, she can start claiming a Category B pension once he has reached State Pension age, whether or not he puts off claiming himself.

What if I get divorced or my civil partnership legally ends (is dissolved)?

If you get divorced or your civil partnership legally ends, your ex-husband, ex-wife or ex-civil partner may be entitled to a share of:

- your additional State Pension (such as SERPS or State Second Pension or extra State Pension), and
- any shared additional pension you are entitled to as a result of a previous divorce or civil partnership that has ended.

This is known as shared additional pension. Any share you may get will be decided by the courts, based on a valuation of your additional State Pension. The court may issue a pension-sharing order.

If you have put off claiming State Pension, this valuation will include the value of any extra State Pension earned up to the date of the divorce, or the date your civil partnership was legally ended. This will apply even if, when you or your ex-husband, ex-wife or ex-civil partner finally claim the State Pension, you or they choose a lump-sum payment.

When you claim your State Pension, your additional State Pension may be reduced by an amount decided by the courts. This will be based on the share of additional State Pension that the courts decide should be used to provide a weekly pension for your ex-husband, ex-wife or ex-civil partner.

If you get divorced, or your civil partnership is legally ended, you may get a shared additional pension from your ex-husband, ex-wife or ex-civil partner if a court has made a pension-sharing order.

If you get a shared additional pension, the following will apply.

- The shared additional pension may be paid from State Pension age or from the date the pension-sharing order applies, if this is after you reach State Pension age.
- You will not normally need to claim separately, because you will claim it at the same time as you claim your normal State Pension. If you only become entitled to it after you have already claimed your normal State Pension, you will automatically get it. If it is the only pension you are entitled to, your claim for State Pension will be treated as a claim for your shared additional pension.
- If you put off claiming your State Pension, your shared additional pension will be put off for the same period of time. You can earn extra shared additional pension or, if you put off claiming for at least 12 months in a row, you can earn a lump sum. We work out the extra pension and the lump sum in the same way as for normal State Pension.

- If you put off claiming your shared additional pension and you marry again or form a new civil partnership, your new husband, wife or civil partner cannot inherit the extra pension earned on your shared additional pension if you die before them. This also applies to the lump-sum payment, unless you die after claiming your shared additional pension.

What if I die and I am not married or in a civil partnership?

If you are not married or in a civil partnership, and you have put off claiming your State Pension but die before claiming it, someone else may make decisions about your estate. They may be able to claim up to three months of the State Pension you have not claimed, and this could include any extra State Pension you have earned before that. This will be paid to your estate. They cannot choose a lump-sum payment.

If you die after claiming your State Pension and you have chosen to take an extra State Pension, payments will stop, just like the basic State Pension.

If you die after claiming your State Pension and you have chosen to take a lump-sum payment, any amount of this payment left when you die will form part of your estate.

If you die between making your claim for State Pension and telling us whether you want to claim extra State Pension or a lump-sum payment, someone will be able to choose on behalf of your estate.

If you die after choosing a lump-sum payment but before receiving it, it may be paid to your estate. After your death, no one can change the choice you made.

What if I am in hospital while I am putting off claiming my State Pension?

Your deferral is not affected.

Does living outside the UK affect State Pension deferral?

If you normally live outside the UK and you have not already claimed your State Pension, you can put off claiming when you reach State Pension age.

When you finally do claim, we will work out your pension entitlement based on the amount you would have got if you had been claiming it at the time. This will include any yearly increases to the State Pension, even if you are living in a country where these increases don't normally apply.

Once you have started to get your State Pension, you will only get yearly increases to your State Pension and your extra State Pension if you are living in certain countries. These are:

- countries with which the UK has an agreement on social security that allows yearly increases to be paid (the UK means England, Scotland, Wales and Northern Ireland), or
- countries in the European Economic Area (EEA) listed below.

Countries with which the UK has an agreement on social security that allows yearly increases to be paid:

Barbados

Bermuda

Bosnia-Herzegovina

The Channel Islands

Croatia

The Isle of Man

Israel (see below)

Jamaica

Kosovo

The Republic of Macedonia

Mauritius

Montenegro

The Philippines

Serbia
Turkey
The USA.

The agreement with Israel applies to the territory administered (run) by the Government of Israel on 19 July 1956. Any territory that is outside Israel, as defined here, is not covered by the agreement. For more advice, you should contact the International Pension Centre. See page 61 for contact details.

Countries in the European Economic Area (EEA):
Austria
Belgium
Bulgaria
Cyprus
Czech Republic
Denmark
Estonia
Finland
France
Germany
Greece
Hungary
Iceland
Ireland
Italy
Latvia
Liechtenstein
Lithuania
Luxembourg
Malta
The Netherlands
Norway

Poland
Portugal
Romania
Slovakia
Slovenia
Spain
Sweden

Switzerland is not a member of the EEA, but as a result of an agreement with the EU, the EU rules on social security will also largely cover Switzerland.

Gibraltar is not a member of the EEA, but the UK applies the EU Regulations to Gibraltar as though it is an EEA country. Other EEA countries treat Gibraltar as though it is part of the UK.

If you live outside the UK and have claimed your State Pension, you will not normally be able to choose to put off claiming it to earn extra State Pension or a lump sum. However, you may have this option if you live in one of the EEA countries listed above and you are a UK national, a national of one of the EEA countries or you are entitled to live there for other reasons.

For more information on this, contact the International Pension Centre. See page 61 for contact details.

Healthcare cover if you live somewhere else in the European Economic Area (EEA) or in Switzerland

If you live somewhere else in the EEA or in Switzerland you may be covered for healthcare paid by the UK if you are in receipt of a UK State Pension. However, for the period you defer taking your State Pension the UK will not be responsible for providing you with healthcare cover. You will need to make your own arrangements.

For more information, go to **www.nhs.uk**

Paying UK tax on extra State Pension and lump-sum payments if you are living outside the UK

If you live outside the UK, your extra State Pension and lump-sum payments are still counted as income for UK tax purposes. If you have to pay tax:

- HM Revenue & Customs will work out the amount in the same way as if you were living in the UK
- you may not have to pay UK tax on your extra State Pension or lump-sum payment if you live in a country that has a double taxation agreement (see below) with the UK, and
- you will need to contact the tax authority in the country you live in to find out if you need to pay that country's tax on your extra State Pension or on a lump-sum payment.

If you have income or savings in one country and are resident in another country, you may have to pay tax in both countries under their tax laws. The UK has negotiated 'double taxation agreements' with a large number of countries for people in this situation so that they do not usually have to pay tax in both countries.

For more about tax if you live outside the UK, or for information about countries with a double taxation agreement with the UK, contact HM Revenue & Customs at their Centre for Non-Residents. See page 60 for contact details.

To find out more about the choices you have for your State Pension if you live outside the UK, contact the International Pension Centre. See page 61 for contact details.

If you reached State Pension age before 6 April 2005 special rules apply

Before 6 April 2005, there were different rules for State Pension deferral. You could not choose to receive a lump-sum payment, and the extra State Pension was worked out in a different way, which did not give you as much money as the current rules.

If you are already getting your State Pension:

- you can choose to stop claiming your State Pension now (you will have to stop claiming for at least five weeks to earn extra State Pension and for at least 12 months to get a lump-sum payment)
- you must normally live in the UK (but see page 41 for details of when this rule may not apply)
- you can only choose to stop claiming once (so you cannot stop now if you have stopped claiming before)
- you cannot stop claiming for a period of time in the past, and
- you will have to claim again for your Winter Fuel Payment – it won't be sent to you automatically when you stop claiming your State Pension. Claim forms must be received on or before 30 March following the winter you are claiming for.

If you have not already claimed your State Pension:

- when you finally do claim it, you can get extra State Pension for the period before 6 April 2005 (this is worked out using the old rate of about 7.5% for each full year that you put off claiming), and
- for the period since 6 April 2005 you can get extra State Pension (worked out at the higher rate of 10.4% for each full year), or if you have put off claiming for 12 months in a row you can get a lump-sum payment. (You may have to pay tax on this lump-sum payment.)

If you put off claiming your State Pension for more than five years in the period before 6 April 2005:

- you will not earn any extra State Pension between the end of that five-year period and 6 April 2005. (This is because before 6 April 2005 you could only earn extra State Pension for up to five years.)

If you stopped claiming State Pension and you have not started again, what you can get when you do start claiming again depends on when you stopped claiming:

- If you stopped claiming your State Pension before 6 April 2005, you can get extra State Pension at the old rate for the period you put off claiming up to 5 April 2005. You may also choose extra State Pension at the current rate or a lump-sum payment for the period you put off claiming since 6 April 2005.
- If you stopped claiming your State Pension for more than five years in the period before 6 April 2005, you will not earn any extra State Pension between the end of that five-year period and 6 April 2005.
- If you stopped claiming your State Pension after 6 April 2005, you can either get extra State Pension at the current rate or, if you stopped claiming it for at least 12 months in a row, you can get a lump-sum payment.

How do I decide what to do?

Whether to carry on working, whether to put off claiming your State Pension (and how long for) and whether to take extra State Pension or choose a lump-sum payment are important decisions. We can help explain the choices set out in this leaflet, but we cannot give financial advice or say what we think is the best choice for you.

It might be helpful for you to consider that:

- you can work full-time or part-time and still claim your State Pension (your earnings or other pensions will not affect how much State Pension you get)

- If you decide to work longer, you are likely to take home more money because you do not pay any National Insurance when you are over State Pension age
- State Pension counts as income for tax purposes, so if you claim your State Pension while you are still earning, you may have to pay tax at a higher rate
- if you keep working for even a year or two longer after you reach State Pension age and put off claiming State Pension, this can make a big difference to the amount of money you will have once you retire and claim your State Pension, and
- you may be able to get all or some of your pension from your employer's pension scheme, even if you carry on working for the same employer who is paying your pension.

It is also important to think about:

- what would happen if you decided to put off claiming your State Pension but died before you claimed it (see pages 36 to 45), and
- whether you are getting any of the benefits that would stop you building up extra State Pension or a lump sum (see page 22).

Should I choose to take extra State Pension or a lump-sum payment?

When thinking about whether to choose extra State Pension or a lump-sum payment, the main difference is that the extra State Pension will be a part of your State Pension until you die, while the lump sum is a one-off payment. You may have to pay tax on the lump sum or the extra State Pension.

If you choose extra State Pension:

- you will have to put off claiming your State Pension for at least five weeks
- you will get a higher weekly State Pension for the rest of your life

- your extra State Pension will go up each year at the same time as the normal weekly State Pension increases
- it will be treated like any other income when Pension Credit, Housing Benefit, Council Tax Benefit and tax credits are worked out
- it counts as income for tax purposes in the same way as your normal weekly State Pension, and
- your husband, wife or civil partner may be entitled to your extra State Pension when you die.

If you choose a lump-sum payment:

- you will have to put off claiming your State Pension for at least 12 months (any period when you put off your claim before 6 April 2005 will not count towards the 12 months)
- you will get your payment all in one go, and your weekly State Pension will be paid at the normal rate
- a lump-sum payment won't be taken into account if you claim Pension Credit, Housing Benefit or Council Tax Benefit, but it will be counted as a payment of income if you are getting tax credits in the same tax year that you get the lump-sum payment
- you may have to pay tax on it (the amount of tax you pay will depend on the rate of tax you have to pay on your other income, and you can choose to delay getting your lump-sum payment if you think you will pay tax at a lower rate in the next tax year)
- your husband, wife or civil partner may inherit a lump-sum payment if you die before claiming your State Pension, and
- it can only form part of your estate if you die after you have claimed your State Pension.

Helping you decide – find out how much your State Pension is likely to be

To help you decide if you should put off claiming your State Pension, you should get an estimate of your State Pension.

There are two ways that you can get an estimate.

You can:

- use the online State Pension calculator to quickly get an estimate of your basic State Pension, or
- apply for an estimate of the State Pension you may get based on your National Insurance (NI) contributions record.

State Pension calculator

The State Pension calculator is a simple tool. It does not access your National Insurance contributions record, so you do not need to register with the Government Gateway to use it. Instead, it uses information that you enter about what you have done during your working life.

To use the calculator go to:
www.gov.uk/calculate-state-pension

State Pension estimate based on your National Insurance contributions record

A State Pension estimate based on your National Insurance contributions record gives you more detailed information about the State Pension you may get. It will give you estimates of:

- the basic State Pension,
- additional State Pension (this is also called the State Second Pension and used to be known as the State Earnings-Related Pension Scheme (SERPS)) and
- any Graduated Retirement Benefit you may get.

For more information on how to get an estimate of your State Pension based on your National Insurance contributions record:

- go to **www.gov.uk/state-pension-statement**, or
- phone the Future Pensions Centre on **0845 3000 168** (Textphone: **0845 3000 169**) or **+44 191 218 3600** if you live outside the UK.

Some common questions about State Pension deferral

Which will give me more – extra State Pension or a lump-sum payment?

It depends on how long you live. If you were to choose extra State Pension, and this was added up each week, after a certain number of years it would reach the amount of the lump-sum payment. If you died before that point, you would have received less than the lump-sum payment. If you were still alive, any extra State Pension payments after that point would mean that the total amount you got was higher than the lump-sum payment.

The tables on pages 11 to 13 give you an idea of how your extra State Pension could add up over 5, 10 and 15 years, compared with a lump-sum payment.

How long you would need to get extra State Pension before it added up to the same as a lump-sum payment would depend on the amount of lump-sum payment you could get. This would depend on the interest rates used to work out the lump-sum payment and how much tax you would have to pay on it.

When comparing extra State Pension and lump-sum payments, it's important to remember how each type of payment is treated when other benefits are worked out, and how it is taxed.

Can married people or people in a civil partnership choose between extra State Pension and a lump-sum payment if their husband, wife or civil partner has not chosen the same?

Yes. If you and your husband, wife or civil partner have both put off claiming your State Pension, you do not have to choose the same as they do. This also applies if the State Pension you have put off claiming is a Category B pension based on your husband's, wife's or civil partner's National Insurance contributions.

Can I choose a combination of extra State Pension and a lump-sum payment?

No. You have to choose one or the other. However, if you were already putting off claiming your State Pension before 6 April 2005, you may be entitled to a combination of extra State Pension (for the period up to 6 April 2005), and either:

- extra State Pension, or
- a lump-sum payment for the period starting on 6 April 2005 (please see page 45).

Can I put off claiming some of my State Pension and claim the rest?

No. Normally you need to put off claiming all your State Pension. The only time when this is different is if you become entitled to Graduated Retirement Benefit or shared additional pension before you could be entitled to a Category A or Category B State Pension. (Category A State Pension is based on your own National Insurance contributions and a Category B State Pension is one based on your husband's, wife's or civil partner's National Insurance contributions.)

If you claim your Graduated Retirement Benefit or shared additional pension, you will not need to stop claiming it if you then put off claiming your Category A or Category B pension. This is explained on pages 52–53.

Do separate periods of putting off claiming State Pension link up?

No. If you put off claiming your State Pension when you reach State Pension age and you then decide after claiming it that you want to stop claiming it for another period, then the two periods of time will be treated separately.

This means that if you put off claiming your State Pension for less than 12 months the first time, you would only be able to get extra State Pension for that period. You would need to stop claiming for 12 months or more the second time to be able to get a lump-sum payment.

If you put off claiming your State Pension for less than 12 months, you will not have the choice of a lump-sum payment.

Can I backdate when I start getting my State Pension?

Yes, you can backdate your claim for up to 12 months, and we will pay you what you would have received if you had claimed earlier. But this will reduce the amount of time you had put off claiming, and your extra State Pension or lump-sum payment will be less.

Will I get the same amount if I ask for my backdated pension, instead of a lump-sum payment?

You will almost always get more money if you choose a lump-sum payment rather than asking us to backdate your State Pension. This is because you will get interest on the lump-sum payment, and you may pay less tax on it.

You cannot choose a lump-sum payment if backdating your State Pension means that you have put off claiming your State Pension for less than 12 months.

Will I still get my Christmas Bonus if I defer?

No. You will not qualify for a Christmas Bonus for the period you put off claiming unless you receive another qualifying benefit during the relevant week.

Will I have to give up my Winter Fuel Payment if I put off claiming my State Pension?

No. The Winter Fuel Payment is not connected to the State Pension. (Most people get the Winter Fuel Payment if they are over State Pension age for women and living in Great Britain and Northern Ireland.)

However, in line with changes to State Pension age for women, the qualifying age for Winter Fuel Payments is gradually going up. You may need to make a claim for your first Winter Fuel Payment, especially if you are not getting another social-security benefit or the only benefits you get are Housing Benefit, Council Tax Benefit or Child Benefit.

After the first one, Winter Fuel Payments are made automatically, as long as you are still eligible to receive them. You must tell us if you have a change in your circumstances that affects your eligibility.

If I change sex will my extra State Pension or lump-sum payment be affected?

You can only be treated as having legally changed sex if you have a full Gender Recognition Certificate from the Gender Recognition Panel. Changing sex may affect what you get if you put off claiming your State Pension.

How do I put off claiming my State Pension?

If you are not claiming your State Pension yet, you do not need to tell us that you want to put off claiming it. But if you get another social security benefit, you need to tell us what you want to do.

If you are already getting your State Pension but want to stop it for a while, you need to tell us what you want to do. You can only choose to do this once.

For details of how to contact The Pension Service, see page 58.

How do I claim my State Pension, after I put off claiming?

You must claim your State Pension by phoning us on **0800 731 7898** (**0800 731 7936** if you speak Welsh and live in Wales).

If you have speech or hearing difficulties, you can contact us using a textphone on **0800 731 7339** (**0800 731 7013** if you speak Welsh and live in Wales).

Our lines are open from 8am to 6pm, Monday to Friday, and 9am to 1pm Saturday. If English or Welsh is not your first language, you can ask for an interpreter. Our phone lines tend to be quieter during the afternoon and towards the end of the week.

What happens when I do claim, after I have put off claiming?

When you do decide to claim, if you choose straight away to take extra State Pension, your normal weekly State Pension will be increased by that extra amount.

You have three months to choose between extra State Pension and a lump sum payment after you have made your claim. If you take a while to decide, you will get your normal weekly State Pension until you make up your mind. If you then choose to take extra State Pension, we will pay it from the date when your State Pension claim started.

If you choose a lump-sum payment, we will ask you what rate of tax you want us to take off the payment. We will send you a letter with information about how to work out the rate of tax you may have to pay.

We will pay your lump sum (after taking off the tax you have to pay), and your normal weekly State Pension will continue as before.

What happens if I want to change my choice?

If you choose extra State Pension or a lump-sum payment but then you want to change your choice, you can do so as long as you:

- change your choice within three months of making your original choice, and
- repay any amount of extra State Pension or any lump-sum payment you have already received, so that we can pay you the correct amount for your new choice.

You can only change your choice once.

What happens if I can't decide?

If you have not told us which option you want within three months of being asked to choose, we will normally send you a lump-sum payment. We will also assume that you pay tax at the basic rate and we will take tax off your lump-sum payment at that rate (20% for the tax year 2012-13).

But if you make up your mind within another three months, and you want to take extra State Pension instead, we will pay this as long as you give us back the lump-sum payment.

If you have decided to take a lump-sum payment, don't wait for us to assume that this is what you want to do. Tell us straight away because you may lose money if you delay claiming your lump-sum payment.

We will sometimes give you longer to decide if we think there is a good reason for the delay in choosing, for example, if you are ill.

Getting advice on your choices

This guide is meant to help you decide whether you want to put off claiming your State Pension and, if you do, what choice to make when you finally claim it. But what is right for you will depend on your circumstances. So before making a decision you may want to discuss your options with, and get advice from, an independent financial adviser or an organisation that provides advice about pensions. (You may have to pay for professional financial advice.)

Where can I find out more?

Call charges

Charges correct as of the date on the back of this leaflet.

Calls to **0800** numbers are free from BT land lines but you may have to pay if you use another phone company, a mobile phone, or if you are calling from abroad.

Calls to **0845** numbers from BT land lines should cost no more than 5p a minute with a 13p call set-up charge. You may have to pay more if you use another phone company or a mobile phone, or if you call from abroad.

Calls to **0870** numbers from BT land lines should cost no more than 9p a minute with a 13p call set-up charge. You may have to pay more if you use another phone company or a mobile phone, or if you call from abroad.

Calls to **03** numbers from BT land lines should cost no more than 9p a minute with a 13p call set-up charge. However, calls to 03 numbers are usually included in the cost of any call plan you may have, so ask your service provider if you will be charged for those calls.

Calls from mobile phones can cost up to 40p a minute, so check the cost of calls with your service provider.

You can ask our operator to call you back – just give them your phone number.

Textphones – if you have speech or hearing difficulties

Our textphone numbers are for people who cannot speak or hear clearly. If you don't have a textphone, you could check if your local library or Citizens Advice Bureau has one. Textphones don't receive text messages from mobile phones.

Organisations you may find useful

The Pension Service

For general enquiries about pensions, contact The Pension Service.

Phone: **0845 60 60 265** (or **0845 60 60 275** if you speak Welsh and live in Wales).

Textphone: **0845 60 60 285** (or **0845 60 60 295** if you speak Welsh and live in Wales).

For help with retirement planning and information about the options for working past State Pension age, visit **www.gov.uk/browse/working/state-pension**

Lines are open Monday to Friday, 8am to 6pm. If English or Welsh is not your first language, you can use your own interpreter or one that we provide. We can usually arrange a phone interpreter straight away.

Our phone lines tend to be less busy in the afternoon and towards the end of the week, so you may prefer to call then.

We record phone calls to help us provide an accurate and consistent service and for training and security purposes.

The Pensions Advisory Service

The Pensions Advisory Service can give you information about many things to do with pensions, including occupational pensions, stakeholder pensions and personal pensions.

Phone: **0845 601 2923**. Lines are open Monday to Friday, 9am to 5pm.

Web: **www.pensionsadvisoryservice.org.uk**

E-mail: **enquiries@pensionsadvisoryservice.org.uk**

Write:

The Pensions Advisory Service
11 Belgrave Road
London
SW1V 1RB

The Pension Tracing Service

The Pension Tracing Service is a free service that may be able to help you trace a company or personal pension scheme, if you have lost contact with the provider.

Phone: **0845 600 2537**

Textphone: **0845 300 0169**

Web: **www.gov.uk/browse/working/state-pension**

Write:

The Pension Tracing Service
Whitley Road
Newcastle Upon Tyne
NE98 1BA

HM Revenue & Customs

Phone: **0845 300 0627** Lines are open 8am to 8pm, Monday to Friday, and 8am to 4pm, Saturday (except Bank Holidays).

Phone: **0300 200 1900** (if you speak Welsh and live in Wales). This line is open weekdays 8.30am to 5pm (except Bank Holidays).

Textphone: **0845 300 1408**

Web: **www.hmrc.gov.uk**

HM Revenue & Customs Enquiry Centre

You can find details of your local HM Revenue & Customs Enquiry Centre in your local phone book (in older versions it may still be listed under 'Inland Revenue'). Or go to **www.hmrc.gov.uk/enq** which is the HM Revenue & Customs website.

You can also visit your local HM Revenue & Customs Enquiry Centre but you may need to make an appointment first.

HM Revenue & Customs National Insurance Contributions Office

Contributor Caseworker

Phone: **0845 302 1479** This line is open weekdays 8am to 5pm (except Bank Holidays).

Textphone: **0845 915 3296**

Write:
HM Revenue and Customs
National Insurance Contributions Office
Benton Park View
Newcastle upon Tyne
NE98 1ZZ

HM Revenue & Customs Centre for Non-Residents

For more information about tax for people living outside the UK

Phone: **0845 070 0040** or **0044 151 210 2222** (if you are calling from outside the UK).

Lines are open 8am to 8pm, Monday to Friday and 8am to 4pm, Saturday (except Bank Holidays).

Web: **www.hmrc.gov.uk/cnr**

International Pension Centre

For more information about State Pension options for people living abroad

Phone: **0191 218 7777** or **0044 191 218 7777** (if you are calling from abroad)

Textphone: **0191 218 7280** or **0044 191 218 7280** (if you are calling from abroad)

Lines are open 8am to 8pm, Monday to Friday.

Web: **www.gov.uk/browse/working/state-pension**

Fax: **0191 218 7021** or **0044 191 218 7021** (if you are faxing from abroad)

Write:

International Pension Centre
Tyneview Park
Newcastle Upon Tyne
NE98 1BA

Healthcare costs if you live outside the UK

You will not be covered for healthcare paid by the UK if you live permanently outside the UK.

Important: if you defer taking your State Pension while living abroad this may mean you do not get help from the UK with healthcare costs in that country.

For more information go to: **www.nhs.uk**

Tax Credits Helpline

For general information about tax credits

Phone: **0345 300 3900** or **0044 2890 538 192** (if you are calling from abroad). The lines are open 8am to 8pm, Monday to Friday, and 8am to 4pm, Saturday. Closed Sundays, Christmas Day, Boxing Day and New Year's Day).

Textphone: **0345 300 3909**

When you contact us please have your National Insurance number ready.

We are usually less busy between 8am and 9.30am and between 2.30pm and 4pm, so you may find that you get your call answered more quickly if you call between these times.

The Financial Services Authority (FSA)

The FSA regulates the financial services industry in the UK and provides a helpline and guides on pensions and personal finance.

Phone: **0300 500 5000**

Typetalk: **18001 0300 500 5000**

Lines are open 8am to 6pm, Monday to Friday (but not Bank Holidays)

Web: **www.fsa.gov.uk**

Gender Recognition Panel

Phone: **0300 1234 503**

Web: **www.grp.gov.uk**

Write:

Gender Recognition Panel
PO Box 9300
Leicester
LE1 6DJ

Directgov

The Directgov website is the UK Government's website. It gives the latest and widest range of UK government and public-service information.

Web: **www.gov.uk**

Other publications you may find useful

We, the Department for Work and Pensions, have a range of leaflets on our website. Go to **www.dwp.gov.uk** for more details.

Registered Pension Schemes Manual (RPSM)

This leaflet is only available online. Go to
www.hmrc.gov.uk/manuals/rpsmmanual/index.htm

The Financial Services Authority can provide the following leaflets. See page 62 for contact details.

FSA guide to pensions – Your pension – it's time to choose

FSA fact sheet: The State Second Pension – should you be contracted out?

Important information about this leaflet

This leaflet is only a guide and does not cover every circumstance. We have done our best to make sure that the information in this leaflet is correct as of April 2012. It is possible that some of the information is oversimplified, or may become inaccurate over time, for example because of changes to the law. We recommend that you get independent advice before making any financial decisions based on the information in this leaflet.

This leaflet is available in Welsh and other formats.

Call **0845 7 31 32 33** to find out more.

If you find it difficult to hear or to speak clearly, there is a textphone service on **0845 604 0210** where you can order these leaflets.

We're always looking for ways of improving the information we provide, so we would welcome any comments and suggestions you have. Please email them to us at: **leaflet.feedback@dwp.gsi.gov.uk**

However, we can't answer any questions about benefits from this email address.

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plain English approved by the word centre