

## Recycling of the Pension Commencement Lump Sum (PCLS)

The Finance Acts prevent an individual withdrawing a tax-free lump sum, which is invested back into a registered pension scheme, automatically generating further tax relief on the amount invested. This is known as "recycling lump sums".

If recycling of lump sums does occur an individual's PCLS will be treated as an unauthorised payment. This means the individual will be liable to a tax charge of up to 55%.

Recycling of a lump sum is considered by HMRC to have occurred where the individual receives a PCLS and:

- Because of the PCLS the amount of contributions paid into another registered pension scheme in respect of the individual is significantly greater than it would otherwise be; and
- The additional contributions are made by the individual or by someone else, such as an employer; and
- The recycling was pre-planned; and
- The amount of the PCLS, taken together with any other such lump sum taken in the previous 12 month period, exceeds 1% of the standard LTA; and
- The cumulative amount of the additional contributions exceeds 30% of the PCLS.

If you recycle your PCLS then you or your representative must notify NHS Pensions.

*This document reflects current law and practice as at July 2010*