



# Finance Act 2004

## 2004 CHAPTER 12

### PART 1

#### EXCISE DUTIES

##### *Tobacco products duty*

#### **1 Rates of tobacco products duty**

- (1) For the Table of rates of duty in Schedule 1 to the Tobacco Products Duty Act 1979 (c. 7) substitute—

TABLE

1. Cigarettes	An amount equal to 22 per cent of the retail price plus £99.80 per thousand cigarettes.
2. Cigars	£145.35 per kilogram.
3. Hand-rolling tobacco	£104.47 per kilogram.
4. Other smoking tobacco and chewing tobacco	£63.90 per kilogram.

- (2) This section shall be deemed to have come into force at 6 o'clock in the evening of 17th March 2004.

##### *Alcoholic liquor duties*

#### **2 Rate of duty on beer**

- (1) In section 36(1AA)(a) of the Alcoholic Liquor Duties Act 1979 (c. 4) (rate of duty on beer) for “£12.22” substitute “ £12.59 ”.

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(2) This section shall be deemed to have come into force at midnight on 21st March 2004.

### 3 Rates of duty on wine and made-wine

(1) For Part 1 of the Table of rates of duty in Schedule 1 to the Alcoholic Liquor Duties Act 1979 (rates of duty on wine and made-wine) substitute—

#### “PART 1

##### WINE AND MADE-WINE OF A STRENGTH NOT EXCEEDING 22 PER CENT

<i>Description of wine or made-wine</i>	<i>Rates of duty per hectolitre</i>
	£
Wine or made-wine of a strength not exceeding 4 per cent	50.38
Wine or made-wine of a strength exceeding 4 per cent but not exceeding 5.5 per cent	69.27
Wine or made-wine of a strength exceeding 5.5 per cent but not exceeding 15 per cent and not sparkling	163.47
Sparkling wine or sparkling made-wine of a strength exceeding 5.5 per cent but less than 8.5 per cent	166.70
Sparkling wine or sparkling made-wine of a strength of 8.5 per cent or of a strength exceeding 8.5 per cent but not exceeding 15 per cent	220.54
Wine or made-wine of a strength exceeding 15 per cent but not exceeding 22 per cent	217.95”

(2) This section shall be deemed to have come into force at midnight on 21st March 2004.

### 4 Duty stamps for spirits etc

(1) At the beginning of Part 6 of the Alcoholic Liquor Duties Act 1979 (c. 4) (general control provisions) under the heading “*Sale of dutiable alcoholic liquors*” insert—

#### “64A Retail containers of certain alcoholic liquors to be stamped

Schedule 2A to this Act (duty stamps) has effect.”.

(2) Before Schedule 3 to that Act insert the Schedule 2A set out in Schedule 1 to this Act.

(3) In section 12(2) of the Finance Act 1994 (c. 9) (defaults engaging Commissioners' power to assess excise duty to the best of their judgement) after paragraph (c) insert—

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- “(ca) any failure by any person to comply with a requirement to which he is made subject by or under Schedule 2A to the Alcoholic Liquor Duties Act 1979 (duty stamps);”.
- (4) In section 14(1) of that Act (reviewable decisions) after paragraph (bc) insert—
- “(bd) any decision by the Commissioners as to whether or not any person is entitled to any repayment or credit by virtue of regulations under paragraph 4(2)(h) of Schedule 2A to the Alcoholic Liquor Duties Act 1979 (duty stamps), or the amount of the repayment or credit to which any person is so entitled;
- (be) any decision by the Commissioners made by virtue of regulations under paragraph 4(2)(i) of that Schedule that some or all of a payment made, or security provided, is forfeit, or the amount which is so forfeit;”.
- (5) The amendments made by this section have effect in relation to retail containers containing alcoholic liquor if the excise duty point for the alcoholic liquor falls on or after such day as the Treasury may by order made by statutory instrument appoint.
- (6) An order under subsection (5) may contain such supplemental and transitional provision and savings as the Treasury think fit in connection with the coming into effect of those amendments.
- (7) In subsection (5) “excise duty point” has the meaning given by section 1 of the Finance (No. 2) Act 1992 (c. 48).

#### Commencement Information

- II** S. 4(1)(3)(4) has effect as specified by [The Finance Act 2004 \(Duty Stamps\) \(Appointed Day\) Order 2006 \(S.I. 2006/201\)](#), [art. 2](#)

### *Hydrocarbon oil etc duties*

## 5 Rates

- (1) In section 6 of the Hydrocarbon Oil Duties Act 1979 (c. 5) (hydrocarbon oil: rates of duty)—
- (a) in subsection (1A)(a) (ultra low sulphur petrol) for “£0.4710” substitute “£0.4902 ”,
- (b) in subsection (1A)(b) (other light oil) for “£0.5620” substitute “ £0.5790 ”,
- (c) in subsection (1A)(c) (ultra low sulphur diesel) for “£0.4710” substitute “ £0.4902 ”, and
- (d) in subsection (1A)(d) (other heavy oil) for “£0.5327” substitute “ £0.5487 ”.
- (2) In section 6AA(3) of that Act (biodiesel: rate of duty) for “£0.2710” substitute “ £0.2852 ”.
- (3) In section 11(1) of that Act (rebate on heavy oil)—
- (a) in paragraph (a) (fuel oil) for “£0.0382” substitute “ £0.0624 ”,
- (b) in paragraph (b) (gas oil: general) for “£0.0422” substitute “ £0.0664 ”, and
- (c) in paragraph (ba) (ultra low sulphur diesel) for “£0.0422” substitute “ £0.0664 ”.

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- (4) In section 13A(1) of that Act (rebate on unleaded petrol) for “£0.0601” substitute “£0.0620”.
- (5) In section 14(1) of that Act (rebate on light oil for use as furnace fuel) for “£0.0382” substitute “£0.0624”.
- (6) This section shall come into force on 1st September 2004.

**Commencement Information**

**I2** S. 5 in force at 1.9.2004, see s. 5(6)

## 6 Road fuel gas

- (1) At the end of section 5 of the Hydrocarbon Oil Duties Act 1979 (road fuel gas) (which becomes subsection (1)) add—
  - “(2) In this Act “natural road fuel gas” is road fuel gas with a methane content of not less than 80%.”
- (2) For section 8(3) of that Act (rate of duty on road fuel gas) substitute—
  - “(3) The rate of the duty under this section shall be—
    - (a) in the case of natural road fuel gas, £0.1110 a kilogram, and
    - (b) in any other case, £0.1303 a kilogram.”
- (3) After section 21(2) of that Act (regulations) insert—
  - “(2A) In the case of regulations made for the purposes mentioned in subsection (1) (c) above, different regulations may be made for different classes of road fuel gas.”
- (4) This section shall come into force on 1st September 2004.

**Commencement Information**

**I3** S. 6 in force at 1.9.2004, see s. 6(4)

## 7 Sulphur-free fuel

- (1) For section 1(3A) and (3B) of the Hydrocarbon Oil Duties Act 1979 (descriptions of hydrocarbon oil: ultra low sulphur petrol and unleaded petrol) substitute—
  - “(3A) “Ultra low sulphur petrol” means unleaded petrol—
    - (a) the sulphur content of which does not exceed 0.005 per cent. by weight,
    - (b) the aromatics content of which does not exceed 35 per cent. by volume, and
    - (c) which is not sulphur-free petrol.
  - (3B) “Sulphur-free petrol” means unleaded petrol the sulphur content of which does not exceed 0.001 per cent. by weight (or is nil).

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(3C) “Unleaded petrol” means petrol that contains not more than 0.013 grams of lead per litre of petrol; and petrol is “leaded petrol” if it is not unleaded petrol.”

(2) For section 1(6) of that Act (ultra low sulphur diesel) substitute—

“(6) “Ultra low sulphur diesel” means gas oil—

- (a) the sulphur content of which does not exceed 0.005 per cent. by weight,
- (b) the density of which does not exceed 835 kilograms per cubic metre at a temperature of 15°C,
- (c) of which not less than 95 per cent. by volume distils at a temperature not exceeding 345°C, and
- (d) which is not sulphur-free diesel.

(7) “Sulphur-free diesel” means gas oil the sulphur content of which does not exceed 0.001 per cent. by weight (or is nil).”

<sup>F1</sup>(3) .....

(4) For section 2A(1) of that Act (power to amend definitions) substitute—

“(1) The Treasury may by order made by statutory instrument amend the definition for the purposes of this Act of—

- (a) sulphur-free diesel;
- (b) sulphur-free petrol;
- (c) ultra low sulphur diesel;
- (d) ultra low sulphur petrol;
- (e) unleaded petrol and leaded petrol.”

(5) In section 6(1A) of that Act (rates of duty)—

- (a) after paragraph (a) insert—
  - “(aa) £0.4852 a litre in the case of sulphur-free petrol;”,
- (b) in paragraph (b) after “other than ultra low sulphur petrol” insert “ and sulphur-free petrol ”,
- (c) after paragraph (c) insert—
  - “(ca) £0.4852 a litre in the case of sulphur-free diesel;”, and
- (d) in paragraph (d) after “other than ultra low sulphur diesel” insert “ and sulphur-free diesel ”.

(6) In section 13AA(6) of that Act (restrictions on use of rebated kerosene) after “which is not ultra low sulphur diesel” insert “ or sulphur-free diesel ”.

(7) In section 13A(1) of that Act (rebate on unleaded petrol) after “, other than ultra low sulphur petrol” insert “ and sulphur-free petrol ”.

(8) In section 27 of that Act (interpretation)—

- (a) after the definition of “road vehicle” insert—
  - ““sulphur-free diesel” has the meaning given by section 1(7) above;
  - “sulphur-free petrol” has the meaning given by section 1(3B) above;”,
  - and

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- (b) in the definition of “unleaded petrol” and “leaded petrol” for “section 1(3B) above.” substitute “ section 1(3C) above. ”

(9) This section shall come into force on 1st September 2004.

#### Textual Amendments

**F1** S. 7(3) omitted (retrospective to 1.4.2008) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 5 paras. 25\(e\)\(i\), 26\(b\)](#)

#### Commencement Information

**I4** S. 7 in force at 1.9.2004, see s. 7(9)

## 8 Definition of “fuel oil”

Before section 2A(2) of the Hydrocarbon Oil Duties Act 1979 (c. 5) (power to amend definitions) insert—

“(1C) The Treasury may by order made by statutory instrument amend the definition for the purposes of section 11 of “fuel oil”.”

## 9 Mixing of rebated oil

(1) For section 20AAA of the Hydrocarbon Oil Duties Act 1979 (mixing of rebated oil) substitute—

### “20AAA Mixing of rebated oil

- (1) A duty of excise shall be charged on a mixture which is—
  - (a) produced by mixing fully rebated heavy oil with heavy oil which is not fully rebated, and
  - (b) supplied for use as fuel for any engine, motor or other machinery.
- (2) A duty of excise shall be charged on a mixture which is—
  - (a) produced by mixing partially rebated heavy oil with heavy oil which is not partially rebated, and
  - (b) supplied for use as fuel for any engine, motor or other machinery; but a mixture on which duty is charged under subsection (1) shall not be charged under this subsection.
- (3) A duty of excise shall be charged on a mixture which is produced by mixing—
  - (a) fully or partially rebated heavy oil, with
  - (b) biodiesel or a substance containing biodiesel.
- (4) The rate of duty on a mixture under subsection (1) or (2) shall be—
  - (a) in the case of a mixture supplied for use as fuel for a road vehicle, the rate of duty specified in section 6(1A)(d) (general rate for heavy oil), and
  - (b) in any other case, equivalent to the rate of rebate specified in section 11(1)(b) (general rate for gas oil).

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- (5) The rate of duty on a mixture under subsection (3) shall be the rate of duty specified in section 6(1A)(d).
- (6) For the purposes of this section—
  - (a) oil is fully rebated if a rebate has been allowed in respect of it under section 11(1)(c) (general rebate for heavy oil),
  - (b) oil is partially rebated if a rebate has been allowed in respect of it under any other provision of section 11 or under section 13AA, and
  - (c) a reference to mixing is a reference to non-approved mixing (within the meaning given by section 20A(5)).
- (7) The person liable to pay duty charged under this section on supply or production of a mixture is the person supplying or producing the mixture.
- (8) Where duty under a provision of this Act has been paid on an ingredient of a mixture, the duty charged under this section shall be reduced by the amount of any duty that the Commissioners are satisfied has been paid on the ingredient (but not to a negative amount).
- (9) The Commissioners may exempt a person from liability to pay duty under any provision of this Act in respect of production or supply of a mixture of a kind described in subsection (1)(a), (2)(a) or (3) if satisfied that—
  - (a) the liability was incurred accidentally, and
  - (b) in the circumstances the person should be exempted.”
- (2) In section 20AAB of that Act (mixing of rebated oil: supplementary)—
  - (a) for subsections (1) and (2) substitute—

“(1) A person who supplies or produces a mixture on which duty is charged under section 20AAA above must notify the Commissioners of the supply or production—

    - (a) in advance, or
    - (b) within the period of seven days beginning with the date of supply or production.”, and

(b) in subsection (3) omit “or (2)”.
- (3) Schedule 2A to that Act shall cease to have effect.
- (4) This section—
  - (a) in so far as it imposes or relates to the charge specified in section 20AAA(1) or (2) of that Act (as substituted by subsection (1) above), shall have effect in relation to anything supplied on or after the date on which this Act is passed,
  - (b) in so far as it imposes or relates to the charge specified in section 20AAA(3) of that Act (as substituted by subsection (1) above), shall have effect in relation to anything produced on or after the date on which this Act is passed, and
  - (c) in so far as it causes sections 20AAA and 20AAB(1) and (2) of, and Schedule 2A to, that Act to cease to have effect in their present form, shall come into force on the day on which this Act is passed.
- (5) But no duty shall be charged on the supply of a mixture under section 20AAA(1) or (2) of that Act (as substituted by subsection (1) above) if duty was charged on the production of the mixture under section 20AAA as it had effect before the date on which this Act is passed.

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**10 Bioethanol**

(1) After section 2AA of the Hydrocarbon Oil Duties Act 1979 (c. 5) (biodiesel) insert—

**“2AB Bioethanol**

- (1) In this Act “bioethanol” means a liquid fuel—
  - (a) consisting of ethanol produced from biomass, and
  - (b) capable of being used for the same purposes as light oil.
- (2) In subsection (1)—
  - (a) “liquid” does not include any substance that is gaseous at a temperature of 15°C and under a pressure of 1013.25 millibars, and
  - (b) “biomass” means vegetable and animal substances constituting the biodegradable fraction of—
    - (i) products, wastes and residues from agriculture, forestry and related activities, or
    - (ii) industrial and municipal waste.
- (3) A substance shall be treated as falling within subsection (1)(a) if it—
  - (a) is denatured alcohol for the purposes of section 5 of the Finance Act 1995 (c. 4), and
  - (b) would fall within subsection (1)(a) above (without reliance on this subsection) but for the presence of a component introduced—
    - (i) for the purpose of rendering the substance denatured alcohol, and
    - (ii) in the minimum proportion necessary for that purpose.”

<sup>F2</sup>(2) .....

(3) After section 6AC of that Act (biodiesel: application of provisions relating to hydrocarbon oil) insert—

**“6AD Excise duty on bioethanol**

- (1) A duty of excise shall be charged on the setting aside for a chargeable use by any person, or (where it has not already been charged under this section) on the chargeable use by any person, of bioethanol.
- (2) In subsection (1) “chargeable use” means use—
  - (a) as fuel for any engine, motor or other machinery,
  - (b) as an additive or extender in any substance so used, or
  - (c) for the production of bioethanol blend.
- (3) The rate of duty under this section shall be £0.2852 a litre.

**6AE Excise duty on blends of bioethanol and hydrocarbon oil**

- (1) A duty of excise shall be charged on bioethanol blend—
  - (a) imported into the United Kingdom, or
  - (b) produced in the United Kingdom and delivered for home use from a refinery or other premises used for the production of hydrocarbon oil



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or from any bonded storage for hydrocarbon oil, not being bioethanol blend chargeable with duty under paragraph (a) above.

- (2) In this Act “bioethanol blend” means any mixture that is produced by mixing—
  - (a) bioethanol, and
  - (b) hydrocarbon oil not charged with excise duty.
- (3) The rate at which the duty shall be charged on any bioethanol blend shall be a composite rate representing—
  - (a) in respect of the proportion of the blend that is hydrocarbon oil, the rate that would be applicable to the blend if it consisted entirely of hydrocarbon oil of the description that went into producing the blend, and
  - (b) in respect of the proportion of the blend that is bioethanol, the rate that would be applicable to the blend if it consisted entirely of bioethanol.
- (4) A reference in subsection (3) to a proportion is to a proportion by volume to the nearest 0.001%.
- (5) If the Commissioners are not satisfied as to the proportion of bioethanol in any bioethanol blend, the rate of duty chargeable shall be the rate that would be applicable to the blend if it consisted entirely of hydrocarbon oil of the description that went into producing the blend.
- (6) Where imported bioethanol blend is removed to a refinery, the duty chargeable under subsection (1) above shall, instead of being charged at the time of the importation of the blend, be charged on the delivery of any goods from the refinery for home use and shall be the same as that which would be payable on the importation of like goods.

#### **6AF Application to bioethanol and bioethanol blend of provisions relating to hydrocarbon oil**

- (1) The Commissioners may by regulations provide for—
  - (a) references in this Act, or specified references in this Act, to hydrocarbon oil to be construed as including references to—
    - (i) bioethanol;
    - (ii) bioethanol blend;
  - (b) references in this Act, or specified references in this Act, to duty on hydrocarbon oil to be construed as including references to duty under—
    - (i) section 6AD above;
    - (ii) section 6AE above;
  - (c) bioethanol, or bioethanol blend, to be treated for the purposes of such of the following provisions of this Act as may be specified as if it fell within a specified description of hydrocarbon oil.
- (2) Where the effect of provision made under subsection (1) above is to extend any power to make regulations, provision made in exercise of the power as extended may be contained in the same statutory instrument as the provision extending the power.

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- (3) In this section “specified” means specified by regulations under this section.
- (4) Regulations under this section may make different provision for different cases.
- (5) Paragraph (b) of subsection (1) above shall not be taken as prejudicing the generality of paragraph (a) of that subsection.”
- (4) In section 6A(1) of that Act (fuel substitutes) for “which is not hydrocarbon oil, biodiesel or bioblend” substitute “which is not—
- (a) hydrocarbon oil,
  - (b) biodiesel,
  - (c) bioblend,
  - (d) bioethanol, or
  - (e) bioethanol blend.”
- (5) At the end of section 11(6) of that Act (rebate on heavy oil: exception) add “ or bioethanol blend ”.
- (6) At the end of section 13AA of that Act (restrictions on use of rebated kerosene) add—
- “(7) Nothing in this section has the effect of allowing a rebate on bioblend or bioethanol blend.”
- (7) In section 14 of that Act (rebate on light oil for use as furnace fuel) after subsection (1) insert—
- “(1A) No rebate shall be allowed under this section in respect of bioethanol blend.”
- (8) In section 22 of that Act (prohibition on use of petrol substitutes on which duty has not been paid)—
- (a) after subsection (1AA) insert—
- “(1AB) Where any person—
- (a) puts any bioethanol to a chargeable use (within the meaning of section 6AD above), and
  - (b) knows or has reasonable cause to believe that there is duty charged under section 6AD above on that bioethanol which has not been paid and is not lawfully deferred,
- his putting the bioethanol to that use shall attract a penalty under section 9 of the Finance Act 1994 (c. 9) (civil penalties), and any goods in respect of which a person contravenes this section shall be liable to forfeiture.”, and
- (b) in subsection (1A) for “subsection (1) or (1AA) above.” substitute “ subsection (1), (1AA) or (1AB) above. ”
- (9) In section 27(1) of that Act (interpretation) after the definition of “biodiesel” insert—
- ““bioethanol” has the meaning given by section 2AB above;
- “bioethanol blend” has the meaning given by section 6AE(2) above;”.
- (10) This section shall come into force on 1st January 2005.

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- (11) But no duty shall be charged under section 6AD or 6AE of that Act (inserted by subsection (3) above) in respect of the chargeable use of any goods, or the setting aside of any goods for a chargeable use, if before 1st January 2005—
- (a) the goods were used or set aside for a chargeable use within the meaning of section 6A of that Act, and
  - (b) a duty of excise was charged under that section on that use or setting aside.

#### Textual Amendments

- F2** S. 10(2) omitted (retrospective to 1.4.2008) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 5 paras. 25\(e\)\(ii\)](#), [26\(b\)](#)

#### Commencement Information

- I5** S. 10 in force at 1.1.2005, see s. 10(10)

## 11 Biodiesel

- (1) In section 6AA(2) of the Hydrocarbon Oil Duties Act 1979 (c. 5) (excise duty on biodiesel) after paragraph (b) add—
- “(c) for the production of bioblend.”
- (2) This section shall come into force on 1st January 2005.

#### Commencement Information

- I6** S. 11 in force at 1.1.2005, see s. 11(2)

## 12 Fuel substitutes

- (1) For section 6A(2)(b) of the Hydrocarbon Oil Duties Act 1979 (fuel substitutes: additives and extenders) substitute—
- “(b) as an additive or extender in any substance so used.”
- (2) This section shall have effect in relation to anything done on or after the date on which this Act is passed.

## 13 Warehousing

After section 23B of the Hydrocarbon Oil Duties Act 1979 (regulation of traders in controlled oil) insert—

### “23C Warehousing

- (1) For the purposes of Part VIII of the Customs and Excise Management Act 1979 (c. 2) (warehousing) the substances specified in subsection (4) shall be treated as if they were chargeable with duty (and therefore within the scope of section 92(1)(a) or (c) of that Act) whether or not duty is in fact chargeable.
- (2) The Commissioners may make regulations under section 93 of that Act (warehousing regulations) that relate to a substance specified in subsection (4).

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- (3) In respect of a substance specified in subsection (4) which has been or is to be deposited in an excise warehouse by virtue of subsection (2), the Commissioners may—
- (a) treat the substance, or make provision by regulations for treating the substance, as if duty were chargeable in relation to it by virtue of a specified enactment;
  - (b) make any regulations, or do any other thing, of a kind that they could make or do (whether or not by virtue of a provision of Part VIII of that Act) in respect of a substance deposited in an excise warehouse under Part VIII of that Act.
- (4) The substances referred to in subsection (1) are—
- (a) petroleum gas,
  - (b) animal fat set aside for use as motor fuel or heating fuel,
  - (c) vegetable fat set aside for use as motor fuel or heating fuel,
  - (d) non-synthetic methanol set aside for use as motor fuel or heating fuel,
  - (e) biodiesel,
  - (f) a mixture of two or more substances specified in paragraphs (a) to (e), and
  - (g) any other substance specified for the purposes of this section in regulations made by the Commissioners.
- (5) In subsection (4)—
- (a) “petroleum gas” means any hydrocarbon which—
    - (i) is gaseous at a temperature of 15°C and under a pressure of 1013.25 millibars, and
    - (ii) is not natural gas (as defined in paragraph (b) below),
  - (b) “natural gas” means gas with a methane content of not less than 80%,
  - (c) “animal fat” means a triglyceride of animal origin,
  - (d) “vegetable fat” means a triglyceride of vegetable origin, and
  - (e) “non-synthetic methanol” means methyl alcohol of non-synthetic origin.
- (6) Regulations under subsection (4)(g)—
- (a) may make provision only if the Commissioners think it necessary or expedient for a purpose connected with Council Directive [92/12/EEC](#) on the general arrangements for products subject to excise duty and on the holding, movement and monitoring of such products,
  - (b) may, in particular, make provision by reference to that Directive or any other [F3EU] instrument, and
  - (c) may, in particular, make provision by reference to the purpose for which a substance is intended to be used.”

#### Textual Amendments

**F3** Words in Act substituted (22.4.2011) by [The Treaty of Lisbon \(Changes in Terminology\) Order 2011](#) (S.I. 2011/1043), arts. 2, 3, 6 (with art. 3(2)(3), 4(2), 6(4)(5))

*Status: Point in time view as at 06/04/2021.*

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## 14 Treatment of certain energy products

- (1) Section 10 of the Finance Act 1993 (c. 34) (application of Hydrocarbon Oil Duties Act 1979 to certain substances) shall be amended as follows.
- (2) In subsection (1) for “mineral oil” substitute “ energy product ”.
- (3) In subsection (2)—
  - (a) after “as the equivalent of hydrocarbon oil” insert “ or road fuel gas ”, and
  - (b) for “as if it fell within such description of hydrocarbon oil” substitute “ as if it fell within such class or description of substance ”.
- (4) In subsection (3)—
  - (a) for “a mineral oil” substitute “ an energy product ”, and
  - (b) for “hydrocarbon oil of the description” substitute “ the substance ”.
- (5) For subsection (4) substitute—

“(4) In this section “energy product” means a substance which—

  - (a) is an energy product for the purposes of Council Directive 2003/96/EC restructuring the Community framework for the taxation of energy products and electricity, and
  - (b) is not (apart from as a result of this section) hydrocarbon oil or road fuel gas within the meaning of the 1979 Act.”
- (6) For subsection (6) substitute—

“(6) Where a duty of excise is charged on a substance under a provision of the 1979 Act by virtue of an order under this section, no duty shall be charged on the substance under any other provision of that Act.”
- (7) For the heading substitute “ Extension of Hydrocarbon Oil Duties Act 1979 to energy products ”.

### *Betting and gaming duties*

## 15 General betting duty: pool betting

- (1) The Betting and Gaming Duties Act 1981 (c. 63) shall be amended as follows.
- (2) For section 4 (pool betting, the Tote, &c.) substitute—

### **“4 Pool betting on horse and dog races**

- (1) General betting duty shall be charged on pool betting which—
  - (a) relates only to horse racing or dog racing, and
  - (b) is not on-course betting.
- (2) But subsection (1) does not apply to pool betting if—
  - (a) the promoter is outside the United Kingdom, and
  - (b) it is conducted otherwise than by means of a totalisator situated in the United Kingdom.

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- (3) The amount of duty charged under subsection (1) in respect of bets made by means of facilities provided by a person in an accounting period shall be 15 per cent. of the amount of his net stake receipts for the period.”
- (3) In section 5(7) (net stake receipts) and section 5B(4) (liability to pay) for “section 4(1) to (3)” substitute “ section 4(1) ”.
- (4) In section 7B (conditions for charging pool betting duty)—
- (a) in subsection (2)(b) omit “the bet is made otherwise than by means of a totalisator and”, and
  - (b) for subsection (3)(a) and (b) substitute—
    - “(a) made wholly in relation to horse racing or dog racing.”
- (5) In section 9(2)(a) (prohibitions for protection of revenue)—
- (a) at the end of sub-paragraph (i) add “ or ”, and
  - (b) in sub-paragraph (ii) for “in the case of bets made otherwise than by means of a totalisator,” substitute “ in any case, ”.
- (6) In section 10(2) (definition of pool betting) for the definition of “totalisator odds” substitute—
- ““totalisator odds” means the odds paid on bets made—
- (a) by means of a totalisator, and
  - (b) at the scene of the event to which the bets relate.”
- (7) In section 12(4) (interpretation)—
- (a) for the definition of “bookmaker” substitute—
 

““bookmaker” means a person who—

    - (a) carries on the business of receiving or negotiating bets or conducting pool betting operations (whether as principal or agent and whether regularly or not), or
    - (b) holds himself out or permits himself to be held out, in the course of a business, as a person within paragraph (a);”;
  - (b) for the definition of “on-course bet” substitute—
 

““on-course bet” has the meaning given by subsection (4A);”, and
  - (c) omit the definition of “sponsored pool betting”.
- (8) After section 12(4) insert—
- “(4A) A bet is an on-course bet for the purposes of this Part of this Act if it—
- (a) is made by a person present at a horse or dog race meeting or by a bookmaker,
  - (b) is not made through an agent of an individual making the bet or through an intermediary, and
  - (c) is made—
    - (i) with a bookmaker present at the meeting, or
    - (ii) by means of a totalisator situated in the United Kingdom, using facilities provided at the meeting by or by arrangement with the person operating the totalisator.”

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- (9) In paragraph 10(1) of Schedule 1 (betting duties: power of entry) omit the words “, or that facilities for sponsored pool betting on those events are being or are to be provided.”.
- (10) The amendments made by this section have effect in relation to accounting periods ending on or after the date of the passing of this Act.

## 16 Rates of gaming duty

- (1) For the Table in section 11(2) of the Finance Act 1997 (c. 16) (rates of gaming duty) substitute—

“TABLE

<i>Part of gross gaming yield</i>	<i>Rate</i>
The first £516,500	2.5 per cent.
The next £1,146,500	12.5 per cent.
The next £1,146,500	20 per cent.
The next £2,007,500	30 per cent.
The remainder	40 per cent.”

- (2) This section has effect in relation to accounting periods beginning on or after 1st April 2004.

### *Amusement machine licence duty*

## 17 Amusement machine licence duty: rates

- (1) In section 23 of the Betting and Gaming Duties Act 1981 (c. 63) (amount of duty payable on amusement machine licence) for the Table in subsection (2) substitute—

“TABLE

<i>(1)</i> <i>Period (in months)</i> <i>for which licence granted</i>	<i>(2)</i> <i>Category</i>	<i>(3)</i> <i>Category</i>	<i>(4)</i> <i>Category</i>	<i>(5)</i> <i>Category</i>	<i>(6)</i> <i>Category</i>
	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E</i>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
1	30	80	85	170	230
2	50	155	165	330	445
3	75	225	245	480	650
4	95	295	315	625	845

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5	120	355	380	755	1,020
6	140	410	445	875	1,185
7	160	465	500	990	1,340
8	185	515	555	1,095	1,480
9	205	560	600	1,190	1,610
10	225	600	645	1,275	1,725
11	240	635	680	1,350	1,825
12	250	665	715	1,415	1,915”

- (2) This section has effect in relation to any amusement machine licence for which an application is received by the Commissioners of Customs and Excise on or after 22nd March 2004.

#### *Vehicle excise duty*

### 18 Fee for payment of duty by credit card

- (1) The Vehicle Excise and Registration Act 1994 (c. 22) is amended as follows.  
 (2) After section 19B insert—

#### **“19C Fee for payment of duty by credit card**

- (1) This section applies where—
- (a) a person applies for a vehicle licence or a trade licence, and
  - (b) the Secretary of State, or an authorised body, accepts a credit card payment in respect of the duty payable on the licence.
- (2) Before issuing the licence, the Secretary of State, or the authorised body, shall require—
- (a) the applicant, or
  - (b) a person acting on behalf of the applicant,
- to pay to him, or it, such fee (if any) in respect of the acceptance of the credit card payment as may be prescribed by, or determined in accordance with, regulations.
- (3) In cases of such descriptions as the Secretary of State may, with the consent of the Treasury, determine, the whole or a part of a fee paid under this section may be refunded.
- (4) In this section—
- “authorised body” means a body (other than a Northern Ireland department) which is authorised by the Secretary of State to act as his agent for the purpose of issuing licences;
- “credit card” has such meaning as may be prescribed by regulations;
- “regulations” means regulations made by the Secretary of State.”.



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- (3) In section 58 (fees prescribed by regulations) in subsection (1) (fees prescribed by regulations under certain provisions to be of amount approved by Treasury) for “or 14(4)(b)” substitute “, 14(4)(b) or 19C(2)”.
- (4) This section has effect in relation to licences issued on or after such day as the Secretary of State may by order made by statutory instrument appoint.

#### Commencement Information

- I7** S. 18(2)(3) has effect as specified by [The Finance Act 2004, Section 18 \(Appointed Day\) Order 2005 \(S.I. 2005/2356\)](#), [art. 2](#)

## PART 2

### VALUE ADDED TAX

#### 19 Disclosure of VAT avoidance schemes

- (1) Schedule 2 (which relates to the disclosure of schemes for the avoidance of value added tax) has effect.
- (2) Subsection (1) and that Schedule—
  - (a) come into force on the passing of this Act, so far as is necessary for enabling the making of any orders or regulations by virtue of that Schedule, and
  - (b) otherwise, come into force on such day as the Treasury may by order made by statutory instrument appoint.

#### Commencement Information

- I8** S. 19 wholly in force at 1.8.2004; s. 19 in force for specified purposes at Royal Assent, see [s. 19\(2\)](#); s. 19 in force otherwise at 1.8.2004 by [S.I. 2004/1934](#), [art. 2](#)

#### 20 Groups

- (1) After section 43A of the Value Added Tax Act 1994 (c. 23) (groups: eligibility) insert—

##### “43AA Power to alter eligibility for grouping

- (1) The Treasury may by order provide for section 43A to have effect with specified modifications in relation to a specified class of person.
- (2) An order under subsection (1) may, in particular—
  - (a) make provision by reference to generally accepted accounting practice;
  - (b) define generally accepted accounting practice for that purpose by reference to a specified document or instrument (and may provide for the reference to be read as including a reference to any later document or instrument that amends or replaces the first);

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- (c) adopt any statutory or other definition of generally accepted accounting practice (with or without modification);
    - (d) make provision by reference to what would be required or permitted by generally accepted accounting practice if accounts, or accounts of a specified kind, were prepared for a person.
  - (3) An order under subsection (1) may also, in particular, make provision by reference to—
    - (a) the nature of a person;
    - (b) past or intended future activities of a person;
    - (c) the relationship between a number of persons;
    - (d) the effect of including a person within a group or of excluding a person from a group.
  - (4) An order under subsection (1) may—
    - (a) make provision which applies generally or only in specified circumstances;
    - (b) make different provision for different circumstances;
    - (c) include supplementary, incidental, consequential or transitional provision.”
- (2) After section 43C of that Act insert—
 

**“43D Groups: duplication**

  - (1) A body corporate may not be treated as a member of more than one group at a time.
  - (2) A body which is a member of one group is not eligible by virtue of section 43A to be treated as a member of another group.
  - (3) If—
    - (a) an application under section 43B(1) would have effect from a time in accordance with section 43B(4), but
    - (b) at that time one or more of the bodies specified in the application is a member of a group (other than that to which the application relates),
 the application shall have effect from that time, but with the exclusion of the body or bodies mentioned in paragraph (b).
  - (4) If—
    - (a) an application under section 43B(2)(a) would have effect from a time in accordance with section 43B(4), but
    - (b) at that time the body specified in the application is a member of a group (other than that to which the application relates),
 the application shall have no effect.
  - (5) Where a body is a subject of two or more applications under section 43B(1) or (2)(a) that have not been granted or refused, the applications shall have no effect.”
- (3) In section 43(1) of that Act (effect of treatment as group) for “sections 43A to 43C” substitute “ sections 43A to 43D ”.

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- (4) In section 43B(1), (2)(a), (5)(a) and (5)(b) and section 43C(3)(b) of that Act (groups: applications for membership and termination of membership) for “under section 43A(1)” substitute “by virtue of section 43A ”.
- (5) In section 97(4) of that Act (orders, &c.: affirmative resolution) after paragraph (c) insert—
  - “(ca) an order under section 43AA(1) if as a result of the order any bodies would cease to be eligible to be treated as members of a group;”.

## **21 Reverse charge on gas and electricity supplied by persons outside UK**

- (1) After section 9 of the Value Added Tax Act 1994 (c. 23) insert—

### **“9A Reverse charge on gas and electricity supplied by persons outside the United Kingdom**

- (1) This section applies if relevant goods are supplied—
    - (a) by a person who is outside the United Kingdom,
    - (b) to a person who is registered under this Act,for the purposes of any business carried on by the recipient.
  - (2) The same consequences follow under this Act (and particularly so much as charges VAT on a supply and entitles a taxable person to credit for input tax) as if—
    - (a) the recipient had himself supplied the relevant goods in the course or furtherance of his business, and
    - (b) that supply were a taxable supply.
  - (3) But supplies which are treated as made by the recipient under subsection (2) are not to be taken into account as supplies made by him when determining any allowance of input tax in his case under section 26(1).
  - (4) In applying subsection (2) the supply of relevant goods treated as made by the recipient shall be assumed to have been made at a time to be determined in accordance with regulations prescribing rules for attributing a time of supply in cases to which this section applies.
  - (5) “Relevant goods” means gas supplied through the natural gas distribution network, and electricity.
  - (6) Whether a person is outside the United Kingdom is to be determined in accordance with an order made by the Treasury.”
- (2) This section has effect in relation to supplies made on or after 1st January 2005.

## **22 Use of stock in trade cars for consideration less than market value**

- (1) The Value Added Tax Act 1994 (c. 23) is amended as follows.
- (2) In Schedule 6 (valuation: special cases) after paragraph 1 (supply to connected person at less than market value etc) insert—

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“1A (1) Where—

- (a) the value of a supply made by a taxable person for a consideration is (apart from this sub-paragraph) less than its open market value,
- (b) the taxable person is a motor manufacturer or motor dealer,
- (c) the person to whom the supply is made is—
  - (i) an employee of the taxable person,
  - (ii) a person who, under the terms of his employment, provides services to the taxable person, or
  - (iii) a relative of a person falling within sub-paragraph (i) or (ii) above,
- (d) the supply is a supply of services by virtue of sub-paragraph (4) of paragraph 5 of Schedule 4 (business goods put to private use etc),
- (e) the goods mentioned in that sub-paragraph consist of a motor car (whether or not any particular motor car) that forms part of the stock in trade of the taxable person, and
- (f) the supply is not one to which paragraph 1 above applies,

the Commissioners may direct that the value of the supply shall be taken to be its open market value.

(2) A direction under this paragraph shall be given by notice in writing to the person making the supply, but no direction may be given more than 3 years after the time of the supply.

(3) A direction given to a person under this paragraph in respect of a supply made by him may include a direction that the value of any supply—

- (a) which is made by him after the giving of the notice, or after such later date as may be specified in the notice, and
- (b) as to which the conditions in paragraphs (a) to (f) of sub-paragraph (1) above are satisfied,

shall be taken to be its open market value.

(4) In this paragraph—

“motor car” means any motor vehicle of a kind normally used on public roads which has three or more wheels and either—

- (a) is constructed or adapted solely or mainly for the carriage of passengers, or
- (b) has to the rear of the driver’s seat roofed accommodation which is fitted with side windows or which is constructed or adapted for the fitting of side windows,

but does not include any vehicle excluded by sub-paragraph (5) below;

“motor dealer” means a person whose business consists in whole or in part of obtaining supplies of, or acquiring from another member State or importing, new or second-hand motor cars for resale with a view to making an overall profit on the sale of them (whether or not a profit is made on each sale);

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“motor manufacturer” means a person whose business consists in whole or in part of producing motor cars including producing motor cars by conversion of a vehicle (whether a motor car or not);

“relative” means husband, wife, brother, sister, ancestor or lineal descendant;

“stock in trade” means new or second-hand motor cars (other than second-hand motor cars which are not qualifying motor cars within sub-paragraph (6) below) which are—

- (a) produced by a motor manufacturer or, as the case may require, supplied to or acquired from another member State or imported by a motor dealer, for the purpose of resale, and
- (b) intended to be sold—
  - (i) by a motor manufacturer within 12 months of their production, or
  - (ii) by a motor dealer within 12 months of their supply, acquisition from another member State or importation, as the case may require,

and such motor cars shall not cease to be stock in trade where they are temporarily put to a use in the motor manufacturer’s or, as the case may be, the motor dealer’s business which involves making them available for private use.

- (5) The vehicles excluded by this sub-paragraph are—
  - (a) vehicles capable of accommodating only one person;
  - (b) vehicles which meet the requirements of Schedule 6 to the Road Vehicles (Construction and Use) Regulations 1986 and are capable of carrying twelve or more seated persons;
  - (c) vehicles of not less than three tonnes unladen weight (as defined in the Table to regulation 3(2) of the Road Vehicles (Construction and Use) Regulations 1986);
  - (d) vehicles constructed to carry a payload (the difference between—
    - (i) a vehicle’s kerb weight (as defined in the Table to regulation 3(2) of the Road Vehicles (Construction and Use) Regulations 1986), and
    - (ii) its maximum gross weight (as defined in that Table)),  
of one tonne or more;
  - (e) caravans, ambulances and prison vans;
  - (f) vehicles constructed for a special purpose other than the carriage of persons and having no other accommodation for carrying persons than such as is incidental to that purpose.
- (6) For the purposes of this paragraph a motor car is a “qualifying motor car” if—
  - (a) it has never been supplied, acquired from another member State, or imported in circumstances in which the VAT on that supply, acquisition or importation was wholly excluded from credit as input tax by virtue of an order under section 25(7) (as at 17th March 2004 see article 7 of the Value Added Tax (Input Tax) Order 1992); or

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- (b) a taxable person has elected under such an order for it to be treated as such.
- (7) The Treasury may by order amend any of the definitions in this paragraph.”.
- (3) In section 83(v) (appeal to tribunal with respect to any direction under paragraph 1 or 2 of Schedule 6 etc) after “paragraph 1” insert “ , 1A ”.
- (4) In section 97 (orders, rules and regulations) in subsection (4) (orders to which the House of Commons affirmative procedure in subsection (3) applies) after paragraph (e) insert—
- “(f) an order under paragraph 1A(7) of Schedule 6;”.
- (5) The amendment made by subsection (2) applies in relation to any use or availability for use on or after the appointed day (whatever the date of the directions mentioned in paragraph 5(4) of Schedule 4 to the Value Added Tax Act 1994 (c. 23)).
- (6) In subsection (5) “the appointed day” means such day as the Treasury may by order made by statutory instrument appoint.

#### **Commencement Information**

- I9** S. 22(2) has effect as specified by [The Finance Act 2004, section 22\(2\), \(Appointed Day\) Order 2004 \(S.I. 2004/3104\)](#), [art. 2](#)

### **PART 3**

#### INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

### **CHAPTER 1**

#### INCOME TAX AND CORPORATION TAX CHARGE AND RATE BANDS

#### *Income tax*

#### **F<sup>4</sup>23 Charge and rates for 2004-05**

.....

#### **Textual Amendments**

- F4** S. 23 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

#### **F<sup>5</sup>24 Personal allowances for those aged 65 or more**

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**Textual Amendments**

- F5** S. 24 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

*Corporation tax*

**25 Charge and main rate for financial year 2005**

Corporation tax shall be charged for the financial year 2005 at the rate of 30%.

**<sup>F6</sup>26 Small companies' rate and fraction for financial year 2004**

.....

**Textual Amendments**

- F6** S. 26 repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

**27 Corporation tax starting rate and fraction for financial year 2004**

For the financial year 2004—

- (a) the corporation tax starting rate shall be 0%, and
- (b) the fraction mentioned in section 13AA of the Taxes Act 1988 (marginal relief for small companies) shall be 19/400ths.

**<sup>F7</sup>28 The non-corporate distribution rate**

.....

**Textual Amendments**

- F7** S. 28 repealed (with effect in accordance with Sch. 26 Pt. 3(1) Note of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 26 Pt. 3\(1\)](#)

*Trusts*

**<sup>F8</sup>29 Special rates of tax applicable to trusts**

.....

**Textual Amendments**

- F8** S. 29 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

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## CHAPTER 2

### CORPORATION TAX: GENERAL

#### *Transfer pricing*

#### **F930 Provision not at arm’s length: transactions between UK taxpayers etc**

.....

##### **Textual Amendments**

- F9** Ss. 30-32 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 10 Pt. 2](#) (with Sch. 9 paras. 1-9, 22)

#### **F931 Exemptions for dormant companies and small and medium-sized enterprises**

.....

##### **Textual Amendments**

- F9** Ss. 30-32 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 10 Pt. 2](#) (with Sch. 9 paras. 1-9, 22)

#### **F932 Special applications of paragraph 6 of Schedule 28AA to the Taxes Act 1988**

.....

##### **Textual Amendments**

- F9** Ss. 30-32 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 10 Pt. 2](#) (with Sch. 9 paras. 1-9, 22)

#### *Penalties: temporary relaxation*

#### **33 Provision not at arm’s length: temporary relaxation of liability to penalty**

- (1) This section has effect in relation to—
- (a) the years of assessment 2004-05 and 2005-06, and
  - (b) accounting periods beginning on or after 1st January 2004 and ending on or before 31st March 2006,
- and in the following provisions of this section “relevant period” means any of those years of assessment or accounting periods.



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- (2) In this section “records relating to an arm’s length provision” means such records as might have been requisite for the purpose of making and delivering a correct and complete return, so far as relating to the determination of the provision asserted to be the arm’s length provision for the purposes of Schedule 28AA to the Taxes Act 1988 in a case where that Schedule applies.
- (3) In relation to any relevant period, the following provisions (which provide for penalties for failure to keep and preserve records for purposes of returns)—
  - (a) section 12B(5) of the Taxes Management Act 1970 (c. 9), and
  - (b) paragraph 23 of Schedule 18 to the Finance Act 1998 (c. 36),do not apply if the records which the person in question fails to keep or preserve are records relating to an arm’s length provision.
- (4) In the application of subsection (2) in relation to paragraph 23 of Schedule 18 to the Finance Act 1998—
  - (a) for “requisite” substitute “ needed ”, and
  - (b) for “making and delivering” substitute “ delivering ”.
- (5) Where a person delivers an incorrect return for any relevant period, he shall not be regarded as doing so negligently for the purposes of—
  - (a) section 95 of the Taxes Management Act 1970, or
  - (b) paragraph 20 of Schedule 18 to the Finance Act 1998,by reason only of his failure, or the failure of any other person, to keep or preserve records relating to an arm’s length provision.
- (6) For the purposes of section 95A of the Taxes Management Act 1970, where a partner delivers an incorrect partnership return for any relevant period—
  - (a) he shall not be regarded as doing so negligently, and
  - (b) his doing so shall not be regarded as attributable to negligent conduct on the part of any relevant partner,by reason only of his failure, or the failure of any other person, to keep or preserve records relating to an arm’s length provision.
- (7) For the purposes of section 99 of the Taxes Management Act 1970 (penalty for assisting in preparation of incorrect documents) a person shall not be taken to know that a return is incorrect by reason only of his failure, or the failure of any other person, to keep or preserve records relating to an arm’s length provision.

*Thin capitalisation*

**34 Payments of excessive interest etc**

- (1) In section 209 of the Taxes Act 1988 (meaning of “distribution”) the following provisions shall cease to have effect—
  - (a) in subsection (2), paragraph (da) (interest etc in respect of securities where issuing company is 75% subsidiary of holder etc and the interest represents an amount that would not have been paid but for a special relationship etc); and
  - (b) subsections (8A) to (8F) (application of section 808A(2) to (4) for purposes of paragraph (da) of subsection (2)).

F10(2) . . . . .

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F10(3) .....

F11(4) .....

#### Textual Amendments

- F10** S. 34(2)(3) repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 10 Pt. 2](#) (with [Sch. 9 paras. 1-9, 22](#))
- F11** S. 34(4) repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))

### F1235 Elimination of double counting etc

.....

#### Textual Amendments

- F12** S. 36 repealed (1.4.2010) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 10 Pt. 2](#) (with [Sch. 9 paras. 1-9, 22](#))

### F1236 Balancing payments and elections to pay tax instead

.....

#### Textual Amendments

- F12** S. 36 repealed (1.4.2010) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 10 Pt. 2](#) (with [Sch. 9 paras. 1-9, 22](#))

#### *Transfer pricing and thin capitalisation: commencement*

### 37 Commencement and transitional provisions

- (1) In this section “the amending provisions” means—
  - (a) sections 30 to 32 (transfer pricing);
  - (b) sections 34 to 36 (thin capitalisation);
  - (c) Schedule 5 (provision not at arm’s length: related amendments).
- (2) The amendments made by those provisions have effect in relation to chargeable periods beginning on or after 1st April 2004 (whenever the actual provision, within the meaning of Schedule 28AA to the Taxes Act 1988, is or was made or imposed).
- (3) Where an accounting period of a company begins before, and ends on or after, 1st April 2004, it shall be assumed for the purposes of the amending provisions, the amendments which they make and subsection (2) that that accounting period (“the straddling period”) consists of two separate accounting periods—
  - (a) the first beginning with the straddling period and ending with 31st March 2004, and

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- (b) the second beginning with 1st April 2004 and ending with the straddling period,  
and the company's profits and losses shall be computed accordingly for tax purposes.
- (4) Where a period of account of any person within the charge to income tax begins before, and ends on or after, 6th April 2004, it shall be assumed for the purposes of the amending provisions, the amendments which they make and subsection (2) that that period ("the straddling period of account") consists of two separate periods of account—
- (a) the first beginning with the straddling period of account and ending with 5th April 2004, and
- (b) the second beginning with 6th April 2004 and ending with the straddling period of account,
- and the person's profits and losses shall be computed accordingly for the purposes of income tax.

*Expenses of companies with investment business and insurance companies*

**F13 38 Expenses of management: companies with investment business**

.....

**Textual Amendments**

- F13** S. 38 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))

**F14 39 Accounting period to which expenses of management are referable**

.....

**Textual Amendments**

- F14** S. 39 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))

**F15 40 Expenses of insurance companies**

.....

**Textual Amendments**

- F15** S. 40 omitted (17.7.2012) by virtue of [Finance Act 2012 \(c. 14\), Sch. 16 para. 247\(l\)\(i\)](#)

**F16 41 Related amendments to other enactments**

.....

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### Textual Amendments

**F16** S. 41 omitted (17.7.2012) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 247\(1\)\(i\)](#)

## 42 Commencement of sections 38 to 41

- (1) The amendments made by sections 38 to 41 and Schedule 6 have effect for accounting periods beginning on or after 1st April 2004.
- (2) This is subject to the transitional provisions in sections 43 and 44 and that Schedule.

## 43 Companies with investment business: transitional provisions

- (1) Any amount which, apart from this subsection, would have fallen to be treated under the old section 75(3) as if it had been disbursed as expenses of management for the first new accounting period of a company shall instead be treated as if it were expenses of management deductible for that period by virtue of the new section 75(9).
- (2) To the extent that any amount was deductible under subsection (1) of section 75 for an old accounting period, the amount shall not again be deductible under that subsection for a new accounting period.
- (3) Subsection (2) is without prejudice to the old section 75(3) and the new section 75(9) (carry forward of unrelieved excess to later accounting period).
- (4) To the extent that an amount—
  - (a) was not deductible under section 75(1) by an investment company for any old accounting period, but
  - (b) would have been deductible under the new section 75(1) for an old accounting period if the amendments made by sections 38 and 39 and Schedule 6 or any order under section 46 (so far as having effect in relation to the first new accounting period) had been in force in relation to that period,
 the amount shall be deductible under section 75(1) for the first new accounting period of the company.
- (5) Where there is an accounting period that begins before, and ends on or after, 1st April 2004 (“the commencement date”), it shall be assumed, for the purpose of determining the amounts that are deductible for that period under section 75(1) of the Taxes Act 1988, that that accounting period (the “straddling period”) consists of two separate accounting periods—
  - (a) the first beginning with the straddling period and ending with the day preceding the commencement date, and
  - (b) the second beginning with the commencement date and ending with the straddling period,
 but this is subject to subsection (6).
- (6) In the case of an investment company, subsection (5) does not have effect for the purpose of determining the amounts that are deductible for the straddling period under section 75(1) by virtue of—
  - (a) subsection (3) of the old section 75, or
  - (b) any provision of the Corporation Tax Acts, apart from section 75 and this section.

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- (7) Where, for the purposes of section 768B or 768C of the Taxes Act 1988, there is a change in the ownership of a company during the straddling period, then for the purposes of the section in question (and Schedule 28A to that Act), before making any such division as is required by section 768B(4) or 768C(3) of that Act,—
- (a) the straddling period shall be divided into two parts in accordance with subsection (5), and
  - (b) those parts shall be treated in accordance with that subsection as two separate accounting periods, but
  - (c) subsection (6) shall be disregarded,
- and section 768B or 768C of, and Schedule 28A to, the Taxes Act 1988 shall have effect accordingly.
- (8) In this section—
- “the commencement date” shall be construed in accordance with subsection (5);
  - “investment company” has the same meaning as in Part 4 of the Taxes Act 1988 (see section 130 of that Act);
  - “new accounting period” means an accounting period beginning on or after the commencement date;
  - “old accounting period” means an accounting period beginning before the commencement date;
  - “the new section 75” means section 75 as it has effect in relation to a new accounting period;
  - “the old section 75” means section 75 as it has effect (apart from subsection (5) above) in relation to an old accounting period;
  - “section 75” means section 75 of the Taxes Act 1988.

**<sup>F17</sup>44 Insurance companies: transitional provisions**

.....

<p><b>Textual Amendments</b></p> <p><b>F17</b> S. 44 omitted (17.7.2012) by virtue of <a href="#">Finance Act 2012 (c. 14), Sch. 16 para. 247(1)(ii)</a></p>
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*Amounts reversing expenses of management deducted*

**45 Amounts reversing expenses of management deducted: charge to tax**

- <sup>F18</sup>(1)** .....
- <sup>F18</sup>(2)** .....
- <sup>F18</sup>(3)** .....
- <sup>F19</sup>(4)** .....

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#### Textual Amendments

- F18** S. 45(1)-(3) repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 3 Pt. 1** (with **Sch. 2 Pts. 1, 2**)
- F19** S. 45(4) repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 3 Pt. 1** (with **Sch. 2**)

### *Power to make consequential amendments*

#### 46 Power to make consequential amendments

- (1) The Treasury may by order make such amendments, repeals or revocations in any enactment (including an enactment amended by this Act) as appear to them to be appropriate in consequence of sections 38 to 40 and 45 and Schedule 6.
- (2) The power conferred by subsection (1) to make an order includes power—
  - (a) to make different provision for different cases, and
  - (b) to make incidental, consequential, supplemental or transitional provision and savings.
- (3) Any order made under this section on or before 31st December 2004 may make provision having effect in relation to accounting periods ending before the date on which the order is made (but not before 1st April 2004).
- (4) In this section—
  - “enactment” includes an enactment comprised in subordinate legislation;
  - “subordinate legislation” has the same meaning as in the Interpretation Act 1978 (c. 30) (see section 21 of that Act).

### *Insurance companies: miscellaneous*

#### 47 Insurance companies etc.

Schedule 7 to this Act (which makes provision about insurance companies and companies which have ceased to be insurance companies after a transfer of business) shall have effect.

### *Loan relationships and derivative contracts*

#### <sup>F20</sup> 48 Loan relationships: miscellaneous amendments

.....

#### Textual Amendments

- F20** S. 48 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 3 Pt. 1** (with **Sch. 2 Pts. 1, 2**)

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#### **49 Derivative contracts: miscellaneous amendments**

Schedule 9 to this Act (which makes amendments relating to derivative contracts) shall have effect.

##### *Accounting practice*

#### **<sup>F21</sup>50 Generally accepted accounting practice**

.....

##### **Textual Amendments**

**F21** S. 50 repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1 para. 424](#), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

#### **<sup>F22</sup>51 Use of different accounting practices within a group of companies**

.....

##### **Textual Amendments**

**F22** S. 51 repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1 para. 425](#), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

#### **52 Amendment of enactments that operate by reference to accounting practice**

- (1) Schedule 10 makes amendments of provisions of the Tax Acts that operate by reference to accounting practice.
- (2) In that Schedule—
  - Part 1 makes amendments relating to loan relationships;
  - Part 2 makes amendments relating to derivative contracts;
  - Part 3 makes amendments relating to intangible fixed assets;
  - Part 4 makes amendments relating to foreign currency accounting.
- (3) The amendments have effect in relation to—
  - (a) periods of account beginning on or after 1st January 2005, <sup>F23</sup>...
  - <sup>F23</sup>(b) .....

##### **Textual Amendments**

**F23** S. 52(3)(b) and word repealed (retrospective to 7.4.2005) by [Finance Act 2005 \(c. 7\)](#), [Sch. 4 para. 50](#), [Sch. 11 Pt. 2\(7\)](#)

#### **53 Treatment of expenditure on research and development**

- (1) Expenditure by a company on research and development, if not of a capital nature, is not prevented from being regarded for tax purposes as deductible in computing profits

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by reason of the fact that for accounting purposes it is brought into account by the company in determining the value of an intangible asset.

- (2) Subsection (1) applies, in particular, for the purposes of—
- section 82A of the Taxes Act 1988 (deduction of expenditure on research and development),
  - Schedule 20 to the Finance Act 2000 (c. 17) (R&D tax relief),
  - Schedule 12 to the Finance Act 2002 (c. 23) (tax relief for expenditure on research and development), and
  - Schedule 13 to that Act (tax relief for expenditure on vaccine research etc.).
- (3) Where expenditure is brought into account by a company for tax purposes in accordance with subsection (1), no deduction may be made in computing for tax purposes the profits of the company in respect of the writing down of so much of the value of an intangible asset as is attributable to that expenditure.
- (4) Expenditure shall not be regarded by virtue of subsection (1) as deductible in computing a company's profits for an accounting period to the extent that—
- (a) a deduction has been made in respect of it in computing the company's profits for a previous accounting period, or
  - (b) the company has benefited from a tax relief in respect of it for a previous accounting period under any of the provisions specified in subsection (2).
- (5) In this section—
- “intangible asset” has the meaning it has for accounting purposes; and
  - “research and development” has the meaning given by section 837A of the Taxes Act 1988.
- (6) This section shall come into force in accordance with provision made by the Treasury by order made by statutory instrument.

#### Commencement Information

**I10** S. 53 in force at 1.1.2005 with effect as specified in art. 2 of the commencing S.I. by [S.I. 2004/3268, art. 2](#)

#### <sup>F24</sup>54 Trading profits etc. from securities: taxation of amounts taken to reserves

.....

#### Textual Amendments

**F24** S. 54 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))

#### *Miscellaneous*

#### 55 Duty of company to give notice of coming within charge to corporation tax

- (1) A company must give notice to the Board—



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- (a) of the beginning of its first accounting period, and
  - (b) of the beginning of any subsequent accounting period that does not immediately follow the end of a previous accounting period.
- (2) The notice required by this section—
- (a) must be in writing;
  - (b) must state when the accounting period began;
  - (c) must contain such other information as may be prescribed;
  - (d) may be given to any officer of the Board; and
  - (e) must be given not later than three months after the beginning of the accounting period.
- (3) “Prescribed” in subsection (2)(c) means prescribed by regulations made by the Board.
- (4) A company that has a reasonable excuse for failing to give notice as required by this section—
- (a) is not to be regarded as having failed to comply with this section until the excuse ceases, and
  - (b) after the excuse ceases is not to be regarded as having failed to comply with this section if the required notice is given without unreasonable delay after the excuse ceases.
- (5) In this section—
- (a) “accounting period” means an accounting period for the purposes of corporation tax;
  - (b) “company” means a body corporate and does not include an unincorporated association or a partnership; and
  - (c) “the Board” means the Commissioners of Inland Revenue.
- (6) In the second column of the Table in section 98 of the Taxes Management Act 1970 (c. 9) (penalty for failure to provide information), at the appropriate place insert— “section 55 of the Finance Act 2004 ”.
- (7) This section applies in relation to accounting periods beginning on or after the day on which this Act is passed.

#### [<sup>F25</sup>55A Section 55: exception to duty to give notice

- (1) A company is not required to give notice under section 55 of the beginning of an accounting period if it reasonably expects that—
- (a) all the income on which it will be chargeable to corporation tax for the period will consist of payments on which it bears income tax by deduction,<sup>F26</sup>...
  - (b) it will have no chargeable gains for the period [<sup>F27</sup>, and
  - (c) in consequence of the deduction of the income tax mentioned in paragraph (a) at the fourth step in paragraph 8 of Schedule 18 to the Finance Act 1998 (calculation of tax payable), the amount of tax payable for the period will be nil.]
- (2) Subsection (3) applies if—
- (a) by reason of subsection (1) a company is not required to give notice under section 55 of the beginning of an accounting period (“the unreported period”), and

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- (b) a subsequent accounting period immediately follows the end of the unreported period.
- (3) The subsequent accounting period is to be treated for the purposes of section 55 as if it does not immediately follow the end of a previous accounting period.
- (4) If by reason of subsection (1) ceasing to apply a company becomes subject to the duty to give notice under section 55 of the beginning of an accounting period the notice must be given not later than three months after the date on which it becomes subject to that duty.]

**Textual Amendments**

- F25** S. 55A inserted (6.4.2020) by [Finance Act 2019 \(c. 1\)](#), [Sch. 5 paras. 7, 35](#) (with [Sch. 5 para. 36](#))
- F26** Word in s. 55A(1) omitted (6.4.2020) by virtue of [Finance Act 2020 \(c. 14\)](#), [Sch. 6 para. 7\(a\)](#)
- F27** S. 55A(1)(c) and word inserted (6.4.2020) by [Finance Act 2020 \(c. 14\)](#), [Sch. 6 para. 7\(b\)](#)

**<sup>F28</sup>56 Relief for community amateur sports clubs**

.....

**Textual Amendments**

- F28** S. 56 repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

## CHAPTER 3

### CONSTRUCTION INDUSTRY SCHEME

#### *Introduction*

**57 Introduction**

- (1) This Chapter provides for certain payments (see section 60) under construction contracts to be made under deduction of sums on account of tax (see sections 61 and 62).
- (2) In this Chapter “construction contract” means a contract relating to construction operations (see section 74) which is not a contract of employment but where—
- (a) one party to the contract is a sub-contractor (see section 58); and
  - (b) another party to the contract (“the contractor”) either—
    - (i) is a sub-contractor under another such contract relating to all or any of the construction operations, or
    - (ii) is a person to whom section 59 applies.
- (3) In sections 60 and 61 “the contractor” has the meaning given by this section.
- (4) In this Chapter—

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- (a) references to registration for gross payment are to registration under section 63(2),
  - (b) references to registration for payment under deduction are to registration under section 63(3), and
  - (c) references to registration under section 63 are to registration for gross payment or registration for payment under deduction.
- (5) To the extent that any provision of this Chapter would not, apart from this subsection, form part of the Tax Acts, it shall be taken to form part of those Acts.

## 58 Sub-contractors

For the purposes of this Chapter a party to a contract relating to construction operations is a sub-contractor if, under the contract—

- (a) he is under a duty to the contractor to carry out the operations, or to furnish his own labour (in the case of a company, the labour of employees or officers of the company) or the labour of others in the carrying out of the operations or to arrange for the labour of others to be furnished in the carrying out of the operations; or
- (b) he is answerable to the contractor for the carrying out of the operations by others, whether under a contract or under other arrangements made or to be made by him.

## 59 Contractors

- (1) This section applies to the following bodies or persons—
- (a) any person carrying on a business which includes construction operations;
  - (b) any public office or department of the Crown (including any Northern Ireland department<sup>[F29]</sup>, the Welsh Assembly Government] and any part of the Scottish Administration);
  - (c) the Corporate Officer of the House of Lords, the Corporate Officer of the House of Commons<sup>[F30]</sup>, the Scottish Parliamentary Corporate Body and the National Assembly for Wales Commission];
  - (d) any local authority;
  - (e) any development corporation or new town commission;
  - (f) the <sup>[F31]</sup>Homes and Communities Agency];
  - <sup>[F32]</sup>(fa) the Greater London Authority in the exercise of its functions relating to housing or regeneration or its new towns and urban development functions;]
  - (g) the Secretary of State if the contract is made by him under section 89 of the Housing Associations Act 1985 (c. 69);
  - (h) the <sup>[F33]</sup>Regulator of Social Housing], a housing association, a housing trust, Scottish Homes, and the Northern Ireland Housing Executive;
  - (i) any NHS trust;
  - (j) any HSS trust;
  - (k) any such body or person, being a body or person (in addition to those falling within paragraphs (b) to (j)) which has been established for the purpose of carrying out functions conferred on it by or under any enactment, as may be designated as a body or person to which this section applies in regulations made by the Board of Inland Revenue;

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- [<sup>F34</sup>(1) a person carrying on a business at any time if, in the period of one year ending with that time, the person's expenditure on construction operations exceeds £3,000,000.]
- [<sup>F35</sup>(2) But this section only applies to a body or person falling within any of paragraphs (b) to (fa) or (h) to (k) of subsection (1) at any time if, in the period of one year ending with that time, the body or person's expenditure on construction operations exceeds £3,000,000.
- (3) Where the condition in subsection (1)(l) or (2) is met in relation to a body or person at any time, the body or person may elect for the condition to be treated as no longer being met if, at that time, the body or person is not expected to make any further expenditure on construction operations.
- (3A) Where the condition in subsection (1)(l) or (2) ceases to be met in relation to a body or person at any time, the body or person may elect for the condition to be treated as continuing to be met until the body or person is not expected to make any further expenditure on construction operations.
- (3B) Subsections (3) and (3A) do not prevent the condition in subsection (1)(l) or (2) from being met again in relation to the body or person.]
- (4) Where the whole or part of a trade is transferred by a company (“the transferor”) to another company (“the transferee”) and [<sup>F36</sup>Chapter 1 of Part 22 of the Corporation Tax Act 2010] has effect in relation to the transfer, then in determining for the purposes of this section the amount of expenditure incurred by the transferee—
- (a) the whole or, as the case may be, a proportionate part of any expenditure incurred by the transferor at a time before the transfer is to be treated as if it had been incurred at that time by the transferee; and
  - (b) where only a part of the trade is transferred, the expenditure is to be apportioned in such manner as appears to the Board of Inland Revenue, or on appeal to the [<sup>F37</sup>tribunal], to be just and reasonable.
- (5) In this section—
- “development corporation” has the same meaning as in—
    - (a) the New Towns Act 1981 (c. 64), or
    - (b) the New Towns (Scotland) Act 1968 (c. 16);
  - “enactment” includes an enactment comprised in an Act of the Scottish Parliament and a provision comprised in Northern Ireland legislation;
  - “housing association” has the same meaning as in—
    - (a) the Housing Associations Act 1985 (c. 69), or
    - (b) Part 2 of the Housing (Northern Ireland) Order 1992 (S.I. 1992/1725 (N.I. 15));
  - “housing trust” has the same meaning as in the Housing Associations Act 1985;
  - “HSS trust” means a Health and Social Services trust established under the Health and Personal Social Services (Northern Ireland) Order 1991 (S.I. 1991/194 (N.I. 1));
  - “new town commission” has the same meaning as in the New Towns Act (Northern Ireland) 1965 (c. 13 (N.I.));
  - “NHS trust” means a National Health Service trust—

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- (a) established under <sup>F38</sup>section 25 of the National Health Service Act 2006 or section 18 of the National Health Service (Wales) Act 2006], or
  - (b) constituted under section 12A of the National Health Service (Scotland) Act 1978 (c. 29).
- (6) In this section references to a body or person include references to an office or department.
- (7) The Board of Inland Revenue may make regulations amending this section for the purpose of removing references to bodies which have ceased to exist.
- <sup>F39</sup>(8) This section is subject to section 73A (designated international organisations: exemption from section 59).]

#### Textual Amendments

- F29** Words in s. 59(1)(b) inserted (25.5.2007) by [The Government of Wales Act 2006 \(Consequential Modifications and Transitional Provisions\) Order 2007 \(S.I. 2007/1388\)](#), art. 1(2), **Sch. 1 para. 107(a)**
- F30** Words in s. 59(1)(c) substituted (25.5.2007) by [The Government of Wales Act 2006 \(Consequential Modifications and Transitional Provisions\) Order 2007 \(S.I. 2007/1388\)](#), art. 1(2), **Sch. 1 para. 107(b)**
- F31** Words in s. 59(1)(f) substituted (1.12.2008) by [Housing and Regeneration Act 2008 \(c. 17\)](#), s. 325(1), **Sch. 8 para. 82**; [S.I. 2008/3068](#), art. 2(1)(b)(3) (with arts. 6-13)
- F32** S. 59(1)(fa) inserted (1.4.2012) by [Localism Act 2011 \(c. 20\)](#), s. 240(2), **Sch. 19 para. 42(2)**; [S.I. 2012/628](#), art. 6(i) (with arts. 9, 11, 14, 15, 17)
- F33** Words in s. 59(1)(h) substituted (1.4.2010) by [Housing and Regeneration Act 2008 \(c. 17\)](#), s. 325(1), **Sch. 9 para. 33**; [S.I. 2010/862](#), art. 2 (with Sch.)
- F34** S. 59(1)(l) substituted (6.4.2021 for the tax year 2021-22 and subsequent tax years) by [Finance Act 2021 \(c. 26\)](#), **Sch. 6 para. 2(2)**
- F35** S. 59(2)-(3B) substituted for s. 59(2)(3) (6.4.2021 for the tax year 2021-22 and subsequent tax years) by [Finance Act 2021 \(c. 26\)](#), **Sch. 6 para. 2(3)** (with Sch. 6 para. 3)
- F36** Words in s. 59(4) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 1 para. 426** (with Sch. 2)
- F37** Word in s. 59(4)(b) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 420**
- F38** Words in s. 59(5) substituted (1.3.2007) by [National Health Service \(Consequential Provisions\) Act 2006 \(c. 43\)](#), s. 8(2), **Sch. 1 para. 256** (with Sch. 3 Pt. 1)
- F39** S. 59(8) inserted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 1 para. 459** (with Sch. 2)

#### Modifications etc. (not altering text)

- C1** S. 59(1)(h) modified (E.W.) (1.12.2008) by [The Transfer of Housing Corporation Functions \(Modifications and Transitional Provisions\) Order 2008 \(S.I. 2008/2839\)](#), arts. 1(1), 3, **Sch. para. 1** (with art. 6)

*Deductions on account of tax from contract payments to sub-contractors*

## 60 Contract payments

- (1) In this Chapter “contract payment” means any payment which is made under a construction contract and is so made by the contractor (see section 57(3)) to—
- (a) the sub-contractor,
  - (b) a person nominated by the sub-contractor or the contractor, or

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- (c) a person nominated by a person who is a sub-contractor under another such contract relating to all or any of the construction operations.
- (2) But a payment made under a construction contract is not a contract payment if any of the following exceptions applies in relation to it.
- (3) This exception applies if the payment is treated as earnings from an employment by virtue of Chapter 7 of Part 2 of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) (agency workers).
- [<sup>F40</sup>(3A) This exception applies in so far as—
- (a) the payment can reasonably be taken to be for the services of an individual, and
  - (b) the provision of those services gives rise to an engagement to which Chapter 10 of Part 2 of ITEPA 2003 applies (workers' services provided through intermediaries to public authorities or medium or large clients).
- (3B) But the exception in subsection (3A) does not apply if, in the case of the engagement mentioned in paragraph (b) of that subsection, the client for the purposes of section 61M(1) of ITEPA 2003—
- (a) is not a public authority, and
  - (b) either—
    - (i) does not qualify as medium or large for the tax year in which the payment concerned is made, or
    - (ii) does not have a UK connection for the tax year in which the payment concerned is made.
- (3C) Sections 60I (when a person has a UK connection for a tax year), 61K(3) (when a person qualifies as medium or large for a tax year) and 61L (meaning of public authority) of ITEPA 2003 apply for the purposes of subsection (3B).]
- (4) This exception applies if the person to whom the payment is made or, in the case of a payment made to a nominee, each of the following persons—
- (a) the nominee,
  - (b) the person who nominated him, and
  - (c) the person for whose labour (or, where that person is a company, for whose employees' or officers' labour) the payment is made,
- is registered for gross payment when the payment is made.
- But this is subject to subsections (5) and (6).
- (5) Where a person is registered for gross payment as a partner in a firm (see section 64), subsection (4) applies only in relation to payments made under contracts under which—
- (a) the firm is a sub-contractor, or
  - (b) where a person has nominated the firm to receive payments, the person who has nominated the firm is a sub-contractor.
- (6) Where a person is registered for gross payment otherwise than as a partner in a firm but he is or becomes a partner in a firm, subsection (4) does not apply in relation to payments made under contracts under which—
- (a) the firm is a sub-contractor, or

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- (b) where a person has nominated the firm to receive payments, the person who has nominated the firm is a sub-contractor.
- (7) This exception applies if such conditions as may be prescribed in regulations made by the Board of Inland Revenue for the purposes of this subsection are satisfied; and those conditions may relate to any one or more of the following—
- (a) the payment,
  - (b) the person making it, and
  - (c) the person receiving it.
- (8) For the purposes of this Chapter a payment (including a payment by way of loan) that has the effect of discharging an obligation under a contract relating to construction operations is to be taken to be made under the contract; and if—
- (a) the obligation is to make a payment to a person (“A”) within paragraph (a) to (c) of subsection (1), but
  - (b) the payment discharging that obligation is made to a person (“B”) not within those paragraphs,
- the payment is for those purposes to be taken to be made to A.

#### Textual Amendments

**F40** S. 60(3A)-(3C) inserted (with effect in accordance with Sch. 1 para. 27 of the amending Act) by Finance Act 2020 (c. 14), **Sch. 1 para. 20** (with Sch. 1 paras. 30-34)

## 61 Deductions on account of tax from contract payments

- (1) On making a contract payment the contractor (see section 57(3)) must deduct from it a sum equal to the relevant percentage of so much of the payment as is not shown to represent the direct cost to <sup>[F41]</sup>the sub-contractor] of materials used or to be used in carrying out the construction operations to which the contract under which the payment is to be made relates.
- (2) In subsection (1) “the relevant percentage” means such percentage as the Treasury may by order determine.
- (3) That percentage must not exceed—
- (a) if the person for whose labour (or for whose employees' or officers' labour) the payment in question is made is registered for payment under deduction, the percentage which is the basic rate for the year of assessment in which the payment is made, or
  - (b) if that person is not so registered, the percentage which is the higher rate for that year of assessment.
- <sup>[F42]</sup>(4) Subsection (5) applies where the contractor is a person falling within section 59(1)(1).
- (5) An officer of Revenue and Customs may, if the officer considers it appropriate to do so, by notice in writing—
- (a) exempt the contractor from the requirement to deduct sums from contract payments under subsection (1) for a specified period;
  - (b) treat the contractor as if such an exemption had applied in relation to—
    - (i) specified contract payments made before the date of the notice, or

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- (ii) contract payments made during a specified period before the date of the notice.
- (6) The period referred to in subsection (5)(a)—
  - (a) must not exceed 90 days, but
  - (b) may be extended by one or more further notices under subsection (5).
- (7) In subsection (5) “specified” means specified in the notice.]

#### Textual Amendments

- F41** Words in s. 61(1) substituted (6.4.2021 for the tax year 2021-22 and subsequent tax years) by [Finance Act 2021 \(c. 26\)](#), [Sch. 6 para. 4](#)
- F42** S. 61(4)-(7) inserted (6.4.2021 for the tax year 2021-22 and subsequent tax years) by [Finance Act 2021 \(c. 26\)](#), [Sch. 6 para. 5](#)

## 62 Treatment of sums deducted

- (1) A sum deducted under section 61 from a payment made by a contractor—
  - (a) must be paid to the Board of Inland Revenue, and
  - (b) is to be treated for the purposes of income tax or, as the case may be, corporation tax as not diminishing the amount of the payment.
- (2) If the sub-contractor is not a company a sum deducted under section 61 and paid to the Board is to be treated as being income tax paid in respect of the sub-contractor’s relevant profits.

If the sum is more than sufficient to discharge his liability to income tax in respect of those profits, so much of the excess as is required to discharge any liability of his for Class 4 contributions is to be treated as being Class 4 contributions paid in respect of those profits.

- (3) If the sub-contractor is a company—
  - (a) a sum deducted under section 61 and paid to the Board is to be treated, in accordance with regulations, as paid on account of any relevant liabilities of the sub-contractor;
  - (b) regulations must provide for the sum to be applied in discharging relevant liabilities of the year of assessment in which the deduction is made;
  - (c) if the amount is more than sufficient to discharge the sub-contractor’s relevant liabilities, the excess may be treated, in accordance with the regulations, as being corporation tax paid in respect of the sub-contractor’s relevant profits; and
  - (d) regulations must provide for the repayment to the sub-contractor of any amount not required for the purposes mentioned in paragraphs (b) and (c).

[<sup>F43</sup>(3A) Regulations under subsection (3) may include provision authorising an officer of Revenue and Customs to—

- (a) correct an error or omission relating to a set-off claim;
- (b) remove a set-off claim;
- (c) prohibit a person from making a further set-off claim, for a specified period or indefinitely.



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- (3B) Regulations under subsection (3) that include provision of the kind mentioned in subsection (3A) may, for example, include provision—
- (a) allowing the things mentioned in subsection (3A)(a) to (c) to be done by amending a return (including a return not made under the regulations) or otherwise;
  - (b) allowing a set-off claim to be removed where the claimant is not eligible to make the claim (including where the claimant is not a company, not a sub-contractor, or is registered for gross payment);
  - (c) requiring information to be given to the Commissioners of Revenue and Customs, at such times as may be specified in the regulations.
- (3C) In subsections (3A) and (3B), “set-off claim” means a claim for treating a sum deducted under section 61 as paid on account of any relevant liabilities.]
- (4) For the purposes of [F44this section] the “relevant liabilities” of a sub-contractor are any liabilities of the sub-contractor, whether arising before or after the deduction is made, to make a payment to the Inland Revenue in pursuance of an obligation as an employer or contractor.
- (5) In this section—
- (a) “the sub-contractor” means the person for whose labour (or for whose employees' or officers' labour) the payment is made;
  - (b) references to the sub-contractor’s “relevant profits” are to the profits from the trade, profession or vocation carried on by him in the course of which the payment was received;
  - (c) “Class 4 contributions” means Class 4 contributions within the meaning of the Social Security Contributions and Benefits Act 1992 (c. 4) or the Social Security Contributions and Benefits (Northern Ireland) Act 1992 (c. 7).
- (6) References in this section to regulations are to regulations made by the Board of Inland Revenue.
- (7) Regulations under this section may contain such supplementary, incidental or consequential provision as appears to the Board to be appropriate.

#### Textual Amendments

**F43** S. 62(3A)-(3C) inserted (6.4.2021 for the tax year 2021-22 and subsequent tax years) by [Finance Act 2021 \(c. 26\)](#), [Sch. 6 para. 6\(2\)](#)

**F44** Words in s. 62(4) substituted (6.4.2021 for the tax year 2021-22 and subsequent tax years) by [Finance Act 2021 \(c. 26\)](#), [Sch. 6 para. 6\(3\)](#)

### *Registration of sub-contractors*

## **63 Registration for gross payment or for payment under deduction**

- (1) If the Board of Inland Revenue are satisfied, on the application of an individual or a company, that the applicant has provided—
- (a) such documents, records and information as may be required by or in accordance with regulations made by the Board, and

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- (b) such additional documents, records and information as may be required by the Inland Revenue in connection with the application,  
the Board must register the individual or company under this section.
- (2) If the Board are satisfied that the requirements of subsection (2), (3) or (4) of section 64 are met, the Board must register—
  - (a) the individual or company, or
  - (b) in a case falling within subsection (3) of that section, the individual or company as a partner in the firm in question,  
for gross payment.
- (3) In any other case, the Board must register the individual or company for payment under deduction.

#### **64 Requirements for registration for gross payment**

- (1) This section sets out the requirements (in addition to that in subsection (1) of section 63) for an applicant to be registered for gross payment.
- (2) Where the application is for the registration for gross payment of an individual (otherwise than as a partner in a firm), he must satisfy the conditions in Part 1 of Schedule 11 to this Act.
- (3) Where the application is for the registration for gross payment of an individual or a company as a partner in a firm—
  - (a) the applicant must satisfy the conditions in Part 1 of Schedule 11 to this Act (if an individual) or Part 3 of that Schedule (if a company), and
  - (b) in either case, the firm itself must satisfy the conditions in Part 2 of that Schedule.
- (4) Where the application is for the registration for gross payment of a company (otherwise than as a partner in a firm)—
  - (a) the company must satisfy the conditions in Part 3 of Schedule 11 to this Act, and
  - (b) if the Board of Inland Revenue have given a direction under subsection (5), each of the persons to whom any of the conditions in Part 1 of that Schedule applies in accordance with the direction must satisfy the conditions which so apply to him.
- (5) Where the applicant is a company, the Board may direct that the conditions in Part 1 of Schedule 11 to this Act or such of them as are specified in the direction shall apply to—
  - (a) the directors of the company,
  - (b) if the company is a close company, the persons who are the beneficial owners of shares in the company, or
  - (c) such of those directors or persons as are so specified,  
as if each of them were an applicant for registration for gross payment.
- (6) See also section 65(1) (power of Board to make direction under subsection (5) on change in control of company applying for registration etc).
- (7) In subsection (5) “director” has the meaning given by section 67 of the Income Tax (Earnings and Pensions) Act 2003 (c. 1).

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## 65 Change in control of company registered for gross payment

- (1) Where it appears to the Board of Inland Revenue that there has been a change in the control of a company—
  - (a) registered for gross payment, or
  - (b) applying to be so registered,the Board may make a direction under section 64(5).
- (2) The Board may make regulations requiring the furnishing of information with respect to changes in the control of a company—
  - (a) registered for gross payment, or
  - (b) applying to be so registered.
- [<sup>F45</sup>(3) In this section references to a change in the control of a company are references to such a change determined in accordance with section 995 of the Income Tax Act 2007.]

### Textual Amendments

**F45** S. 65(3) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 460](#) (with [Sch. 2](#))

### Commencement Information

**I11** S. 65(3) has effect as specified by [The Finance Act 2004, Section 77\(1\) and \(7\)](#), ([Appointed Day Order 2006 \(S.I. 2006/3240\)](#)), [art. 2](#)

## 66 Cancellation of registration for gross payment

- (1) The Board of Inland Revenue may at any time make a determination cancelling a person's registration for gross payment if it appears to them that—
  - (a) if an application to register the person for gross payment were to be made at that time, the Board would refuse so to register him,
  - (b) he has made an incorrect return or provided incorrect information (whether as a contractor or as a sub-contractor) under any provision of this Chapter or of regulations made under it, or
  - (c) he has failed to comply (whether as a contractor or as a sub-contractor) with any such provision.
- (2) Where the Board make a determination under subsection (1), the person's registration for gross payment is cancelled with effect from the end of a prescribed period after the making of the determination (but see section 67(5)).
- (3) The Board of Inland Revenue may at any time make a determination cancelling a person's registration for gross payment if they have reasonable grounds to suspect that the person—
  - (a) became registered for gross payment on the basis of information which was false,
  - (b) has fraudulently made an incorrect return or provided incorrect information (whether as a contractor or as a sub-contractor) under any provision of this Chapter or of regulations made under it, or
  - (c) has knowingly failed to comply (whether as a contractor or as a sub-contractor) with any such provision.

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- (4) Where the Board make a determination under subsection (3), the person’s registration for gross payment is cancelled with immediate effect.
- (5) On making a determination under this section cancelling a person’s registration for gross payment, the Board must without delay give the person notice stating the reasons for the cancellation.
- (6) Where a person’s registration for gross payment is cancelled by virtue of a determination under subsection (1), the person must be registered for payment under deduction.
- (7) Where a person’s registration for gross payment is cancelled by virtue of a determination under subsection (3), the person may, if the Board thinks fit, be registered for payment under deduction.
- (8) A person whose registration for gross payment is cancelled under this section may not, within the period of one year after the cancellation takes effect (see subsections (2) and (4) and section 67(5)), apply for registration for gross payment.
- (9) In this section “a prescribed period” means a period prescribed by regulations made by the Board.

## 67 Registration for gross payment: appeals

- (1) A person aggrieved by—
  - (a) the refusal of an application for registration for gross payment, or
  - (b) the cancellation of his registration for gross payment,
 may by notice appeal <sup>F46</sup> ....
- (2) The notice must be given to the Board of Inland Revenue within 30 days after the refusal or cancellation.
- (3) The notice must state the person’s reasons for believing that—
  - (a) the application should not have been refused, or
  - (b) his registration for gross payment should not have been cancelled.
- (4) The jurisdiction of the [<sup>F47</sup>tribunal] on such an appeal [<sup>F48</sup>that is notified to the tribunal] shall include jurisdiction to review any relevant decision taken by the Board of Inland Revenue in the exercise of their functions under section 63, 64, 65 or 66.
- (5) Where a person appeals against the cancellation of his registration for gross payment by virtue of a determination under section 66(1), the cancellation of his registration does not take effect until whichever is the latest of the following—
  - (a) the abandonment of the appeal,
  - (b) the determination of the appeal by the [<sup>F49</sup>tribunal], or
  - (c) the determination of the appeal by the [<sup>F50</sup>Upper Tribunal or a court].

<sup>F51</sup>(6) .....

### Textual Amendments

**F46** Words in s. 67(1) omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 421(2)**

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- F47** Word in s. 67(4) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 421(3)(a)**
- F48** Words in s. 67(4) inserted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 421(3)(b)**
- F49** Word in s. 67(5)(b) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 421(4)(a)**
- F50** Words in s. 67(5)(c) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 421(4)(b)**
- F51** S. 67(6) omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 421(5)**

## 68 Registration for payment under deduction: cancellation and appeals

The Board of Inland Revenue may make regulations providing for—

- (a) the cancellation, in such circumstances as may be prescribed by the regulations, of a person's registration for payment under deduction;
- (b) appeals against a refusal to register a person for payment under deduction or the cancellation of such registration.

*Verification, returns [<sup>F52</sup>, security] etc and penalties*

### Textual Amendments

- F52** Word in [s. 69 cross-heading](#) inserted (12.2.2019) by [Finance Act 2019 \(c. 1\)](#), **s. 82(1)(a)**

## 69 Verification etc of registration status of sub-contractors

- (1) The Board of Inland Revenue may make regulations requiring persons who make payments under contracts relating to construction operations, except in prescribed circumstances, to verify with the Board whether a person to whom they are proposing to make—
  - (a) a contract payment, or
  - (b) a payment which would be a contract payment but for section 60(4),is registered for gross payment or for payment under deduction.
- (2) The provision that may be made by regulations under subsection (1) includes provision—
  - (a) for preventing a person from verifying unless such conditions as may be prescribed have been satisfied;
  - (b) as to the period for which the verification remains valid.
- (3) The Board of Inland Revenue may make regulations requiring the Board to notify persons of a prescribed description who make payments under contracts relating to construction operations that—
  - (a) a person registered for gross payment has become registered for payment under deduction or has ceased to be registered under section 63, or
  - (b) a person registered for payment under deduction has become registered for gross payment or has ceased to be registered under section 63.

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- (4) The provision that may be made by regulations under subsection (1) or (3) includes provision for a person to be entitled to assume, except in prescribed circumstances, that—
- (a) a person verified or notified as being registered for gross payment, or
  - (b) a person verified or notified as being registered for payment under deduction, has not subsequently ceased to be so registered.
- (5) In this section “prescribed” means prescribed by regulations under this section.

## **70 Periodic returns by contractors etc**

- (1) The Board of Inland Revenue may make regulations requiring persons who make payments under construction contracts—
- (a) to make to the Board, at such times and in respect of such periods as may be prescribed, returns relating to such payments;
  - (b) to keep such records as may be prescribed relating to such payments;
  - (c) to provide such information as may be prescribed, at such times as may be prescribed, to persons to whom such payments are made or to such of those persons as are of a prescribed description.
- (2) The provision that may be made by regulations under subsection (1)(a) includes provision requiring, except in such circumstances as may be prescribed,—
- (a) the person making a return to declare in the return that none of the contracts to which the return relates is a contract of employment;
  - (b) the person making a return to declare in the return that, in the case of each person to whom a payment to which the return relates is made, he has complied with the requirements of any regulations made under section 69(1) (verification of registration status);
  - (c) returns to contain such other information and to be in such form as may be prescribed;
  - (d) a return to be made where no payments have been made in the period to which the return relates.
- (3) The Board of Inland Revenue may make regulations with respect to—
- (a) the production, copying and removal of, and the making of extracts from, any records kept by virtue of any such requirement as is referred to in subsection (1)(b), and
  - (b) rights of access to, or copies of, any such records which are removed.
- (4) Regulations under this section may make provision—
- (a) for or in connection with enabling a person who makes payments under construction contracts to appoint another person (a “scheme representative”) to act on his behalf in connection with any requirements imposed on him by regulations under this section, and
  - (b) as to the rights, obligations or liabilities of scheme representatives.
- (5) In this section “prescribed” means prescribed by regulations under this section.

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## [<sup>F53</sup>70A Security for payments to HMRC

- (1) The Commissioners for Her Majesty's Revenue and Customs may by regulations make provision for and in connection with requiring the giving, by prescribed persons and in prescribed circumstances, of security for the payment of amounts that a person is or may be liable to pay to the Commissioners under this Chapter.
- (2) Regulations under this section must provide that security may be required only where an officer of Revenue and Customs considers it necessary for the protection of the revenue.
- (3) Regulations under this section must provide for a right of appeal against—
  - (a) decisions to require security to be given;
  - (b) decisions as to the amount, terms or duration of any security required.
- (4) A person commits an offence if—
  - (a) the person fails to comply with a requirement to give security that is imposed by regulations under this section, and
  - (b) the failure continues for such period as is prescribed.
- (5) A person who commits an offence under subsection (4) is liable on summary conviction—
  - (a) in England and Wales, to a fine;
  - (b) in Scotland or Northern Ireland, to a fine not exceeding level 5 on the standard scale.
- (6) In this section—

“prescribed” means prescribed in regulations under this section;  
“security” includes further security.]

### Textual Amendments

**F53** S. 70A inserted (12.2.2019) by [Finance Act 2019 \(c. 1\)](#), s. 82(1)(b)

## 71 Collection and recovery of sums to be deducted

- (1) The Board of Inland Revenue must make regulations with respect to the collection and recovery, whether by assessment or otherwise, of sums required to be deducted from any payments under section 61.
- (2) The regulations may include any matters with respect to which PAYE regulations may be made.
- (3) Interest required to be paid by the regulations—
  - (a) is to be paid without any deduction of income tax, <sup>F54</sup>...
  - <sup>F54</sup>(b) .....

### Textual Amendments

**F54** S. 71(3)(b) and preceding word repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), Sch. 1 para. 570, **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

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## **[<sup>F55</sup>72 Penalties**

- (1) This section applies in a case within subsection (2), (3) or (4).
- (2) A case is within this subsection if a person (“A”)—
  - (a) makes a statement, or furnishes a document, which A knows to be false in a material particular, or
  - (b) recklessly makes a statement, or furnishes a document, which is false in a material particular,
 for the purpose of becoming registered for gross payment or for payment under deduction.
- (3) A case is within this subsection if a person (“A”) who exercises influence or control over another person (“B”) or is in a position to do so—
  - (a) makes a statement, or furnishes a document, which A knows to be false in a material particular, or
  - (b) recklessly makes a statement, or furnishes a document, which is false in a material particular,
 for the purpose of enabling or facilitating B to become registered for gross payment or for payment under deduction.
- (4) A case is within this subsection if a person (“A”) who exercises influence or control over another person (“B”) or is in a position to do so—
  - (a) encourages B to make a statement, or furnish a document, which A knows to be false in a material particular, or
  - (b) encourages B to make a statement or furnish a document—
    - (i) which is false in a material particular, and
    - (ii) where A is reckless as to whether the statement or document is false in a material particular,
 for the purpose of enabling or facilitating B to become registered for gross payment or for payment under deduction.
- (5) In a case where this section applies, A is liable to a penalty not exceeding £3,000.]

### **Textual Amendments**

**F55** S. 72 substituted (with effect in accordance with Sch. 6 para. 8 of the amending Act) by [Finance Act 2021 \(c. 26\)](#), [Sch. 6 para. 7](#)

## *Supplementary*

### **73 Regulations under this Chapter: supplementary**

- (1) The Board of Inland Revenue may by regulations make such other provision for giving effect to this Chapter as they consider necessary or expedient.
- (2) The provision that may be made by regulations under subsection (1) includes provision for or in connection with modifying the application of this Chapter in circumstances where—
  - (a) a person acts as the agent of a contractor or sub-contractor;



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- (b) a person's right to payments under a construction contract is assigned or otherwise transferred to another person.
- (3) Regulations under this Chapter may make different provision for different cases.
- (4) Any power under this Chapter to make regulations authorising or requiring a document (whether or not of a particular description), or any records or information, to be given or requested by or to be sent or produced to the Board of Inland Revenue includes power—
  - (a) to authorise the Board to nominate a person who is not an officer of the Board to be the person who on behalf of the Board—
    - (i) gives or requests the document, records or information; or
    - (ii) is the recipient of the document, records or information; and
  - (b) to require the document, records or information, in cases prescribed by or determined under the regulations, to be sent or produced to the address (determined in accordance with the regulations) of the person nominated by the Board to receive it on their behalf.

#### [<sup>F56</sup>73A Designated international organisations: exemption from section 59

- (1) The Treasury may by order designate for the purposes of this section any international organisation of which the United Kingdom is a member.
- (2) Section 59 does not apply to an organisation which is so designated.]

#### Textual Amendments

**F56** S. 73A inserted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 461](#) (with [Sch. 2](#))

#### 74 Meaning of “construction operations”

- (1) In this Chapter “construction operations” means operations of a description specified in subsection (2), not being operations of a description specified in subsection (3); and references to construction operations—
  - (a) except where the context otherwise requires, include references to the work of individuals participating in the carrying out of such operations; and
  - (b) do not include references to operations carried out or to be carried out otherwise than in the United Kingdom (or the territorial sea of the United Kingdom).
- (2) The following operations are, subject to subsection (3), construction operations for the purposes of this Chapter—
  - (a) construction, alteration, repair, extension, demolition or dismantling of buildings or structures (whether permanent or not), including offshore installations;
  - (b) construction, alteration, repair, extension or demolition of any works forming, or to form, part of the land, including (in particular) walls, roadworks, power-lines, electronic communications apparatus, aircraft runways, docks and harbours, railways, inland waterways, pipe-lines, reservoirs, water-mains,

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- wells, sewers, industrial plant and installations for purposes of land drainage, coast protection or defence;
- (c) installation in any building or structure of systems of heating, lighting, air-conditioning, ventilation, power supply, drainage, sanitation, water supply or fire protection;
  - (d) internal cleaning of buildings and structures, so far as carried out in the course of their construction, alteration, repair, extension or restoration;
  - (e) painting or decorating the internal or external surfaces of any building or structure;
  - (f) operations which form an integral part of, or are preparatory to, or are for rendering complete, such operations as are previously described in this subsection, including site clearance, earth-moving, excavation, tunnelling and boring, laying of foundations, erection of scaffolding, site restoration, landscaping and the provision of roadways and other access works.
- (3) The following operations are not construction operations for the purposes of this Chapter—
- (a) drilling for, or extraction of, oil or natural gas;
  - (b) extraction (whether by underground or surface working) of minerals and tunnelling or boring, or construction of underground works, for this purpose;
  - (c) manufacture of building or engineering components or equipment, materials, plant or machinery, or delivery of any of these things to site;
  - (d) manufacture of components for systems of heating, lighting, air-conditioning, ventilation, power supply, drainage, sanitation, water supply or fire protection, or delivery of any of these things to site;
  - (e) the professional work of architects or surveyors, or of consultants in building, engineering, interior or exterior decoration or in the laying-out of landscape;
  - (f) the making, installation and repair of artistic works, being sculptures, murals and other works which are wholly artistic in nature;
  - (g) signwriting and erecting, installing and repairing signboards and advertisements;
  - (h) the installation of seating, blinds and shutters;
  - (i) the installation of security systems, including burglar alarms, closed circuit television and public address systems.
- (4) The Treasury may by order made by statutory instrument amend either or both of subsections (2) and (3) by—
- (a) adding,
  - (b) varying, or
  - (c) removing,
- any description of operations.
- (5) No statutory instrument containing an order under subsection (4) shall be made unless a draft of the instrument has been laid before and approved by a resolution of the House of Commons.

## 75 Meaning of “the Inland Revenue” etc and delegation of Board’s functions

- (1) In this Chapter “the Inland Revenue” means any officer of the Board of Inland Revenue.

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- (2) In this Chapter “the Board of Inland Revenue” means the Commissioners of Inland Revenue (as to which, see in particular the Inland Revenue Regulation Act 1890 (c. 21)).
- (3) The Board of Inland Revenue may make regulations providing for any of the following to be done on behalf of the Board—
  - (a) the registration of persons under section 63;
  - (b) the giving of directions under section 64(5); and
  - (c) the cancellation under section 66 of a person’s registration for gross payment.

## **76 Consequential amendments**

Schedule 12 to this Act (which makes consequential amendments) has effect.

## **77 Commencement and transitional provision**

- (1) This Chapter has effect in relation to payments made on or after the appointed day under contracts relating to construction operations.
- (2) Where a certificate issued to a person under section 561 of the Taxes Act 1988 is in force immediately before the appointed day, the person is to be treated as if, on the appointed day, the Board of Inland Revenue had registered him for gross payment.
- (3) Where a registration card issued to a person in accordance with regulations made under section 566(2A) of the Taxes Act 1988 is in force immediately before the appointed day, the person is to be treated as if, on the appointed day, the Board of Inland Revenue had registered him for payment under deduction.
- (4) Subsection (5) applies in relation to the first payment (“the relevant payment”) made after the appointed day by a person (“C”) to a sub-contractor (“SC”) under a contract relating to construction operations if—
  - (a) before the appointed day, C had made one or more payments to SC under the contract or another such contract,
  - (b) the last of those payments (“the last payment”) was made in the year of assessment in which the relevant payment was made or in either of the two years of assessment before that,
  - (c) at the time of the last payment—
    - (i) a certificate issued to SC under section 561 of the Taxes Act 1988 was in force, or
    - (ii) a registration card issued to SC in accordance with regulations made under section 566(2A) of that Act was in force, and
  - (d) on making the relevant payment, C has no reason to believe that SC—
    - (i) did not become registered for gross payment or (as the case may be) for payment under deduction by virtue of subsection (2) or (3), and
    - (ii) is not still so registered.
- (5) Where this subsection applies, regulations under section 69(1) shall not require C, before making the relevant payment, to verify whether SC is registered for gross payment or for payment under deduction.
- (6) Where subsection (5) applies, C shall be entitled to assume, on making any further payments to SC under a contract relating to construction operations, that SC has not

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subsequently ceased to be so registered, unless notified to the contrary in accordance with regulations made under section 69(3).

- (7) In this section “the appointed day” means such day as the Treasury may by order appoint.
- (8) The Treasury may by order make such further supplemental and transitional provision and savings as they think fit in connection with the coming into effect of this Chapter.

**CHAPTER 4**

PERSONAL TAXATION

*Taxable benefits*

**78 Childcare and childcare vouchers**

- (1) Schedule 13 to this Act contains amendments of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) relating to childcare and childcare vouchers.
- (2) The amendments have effect for the year 2005-06 and subsequent years of assessment.

**<sup>F57</sup>79 Exemption for loaned computer equipment**

.....

**Textual Amendments**

**F57** S. 79 repealed (with effect in accordance with Sch. 26 Pt. 3(7) Note of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 26 Pt. 3\(7\)](#)

**80 Vans**

- (1) Schedule 14 to this Act contains amendments of the Income Tax (Earnings and Pensions) Act 2003 relating to vans.
- (2) The amendments have effect for the year 2005-06 and subsequent years of assessment.

**81 Emergency vehicles**

- (1) In the Income Tax (Earnings and Pensions) Act 2003, after section 248 insert—

**“248A Emergency vehicles**

- (1) This section applies where—
  - (a) an emergency vehicle is made available to a person employed in an emergency service for the person’s private use,
  - (b) the terms on which it is made available prohibit its private use otherwise than when the person is on call or engaged in on-call commuting, and

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- (c) the person does not make private use of it otherwise than in such circumstances.
- (2) No liability to income tax arises by virtue of Chapter 6 or 10 of Part 3 (taxable benefits: cars, vans etc. and residual liability to charge) in respect of the benefit.
- (3) “Emergency vehicle” means a vehicle which is used to respond to emergencies and which either—
  - (a) has fixed to it a lamp designed to emit a flashing light for use in emergencies, or
  - (b) would have such a lamp fixed to it but for the fact that (if it did) a special threat to the personal physical security of those using it would arise by reason of it being apparent that they were employed in an emergency service.
- (4) The following are “employed in an emergency service”—
  - (a) constables and other persons employed for police purposes,
  - (b) persons employed for the purposes of a fire, or fire and rescue, service, and
  - (c) persons employed in the provision of ambulance or paramedic services.
- (5) The Treasury may by order amend subsection (4).
- (6) “Private use”, in relation to a person, means any use other than for the person’s business travel; and “business travel” has the same meaning as in Chapter 6 of Part 3 (see section 171(1)).
- (7) A person to whom an emergency vehicle is made available is on call when liable, as part of normal duties, to be called on to use the emergency vehicle to respond to emergencies.
- (8) A person to whom an emergency vehicle is made available is engaged in on-call commuting when the person—
  - (a) is using it for ordinary commuting or for travel between two places that is for practical purposes substantially ordinary commuting, and
  - (b) is required to do so in order that it is available for use by the person, as part of normal duties, for responding to emergencies.”.
- (2) In section 236(2)(c) of that Act (mileage allowance and passenger payments: meaning of “company vehicle”), after “vans)” insert “ and section 248A (emergency vehicles) ”.
- (3) This section has effect for the year 2004-05 and subsequent years of assessment.

## **82 European travel expenses of MPs and other representatives**

- (1) The Income Tax (Earnings and Pensions) Act 2003 (c. 1) is amended as follows.
- (2) In section 294 (EU travel expenses of MPs and other representatives) in subsection (1) (exemption from income tax in respect of sums paid to Members of the House of Commons and other representatives in respect of EU travel expenses) for “EU” (in both places) substitute “ European ”.
- (3) In that section, for subsections (2) to (4) substitute—

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- “(2) “European travel expenses” means the cost of, and any additional expenses incurred in, travelling between the United Kingdom and a relevant European location.
- (3) “Relevant European location” means—
  - (a) a European Union institution or agency, or
  - (b) the national parliament of—
    - (i) another member State,
    - (ii) a candidate or applicant country, or
    - (iii) a member State of the European Free Trade Association.
- (4) The Treasury may by order amend subsection (3) by—
  - (a) adding a European location,
  - (b) removing a European location, or
  - (c) varying the description of a European location.”.
- (4) In the heading of that section, “EU” accordingly becomes “European”.
- (5) This section has effect in relation to sums paid in respect of costs or expenses incurred on or after 6th April 2004.

*Gift aid*

**F5883 Giving through the self-assessment return**

.....

**Textual Amendments**

**F58** S. 83 repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), Sch. 1 para. 427, **Sch. 3 Pt. 1** (with Sch. 2)

*Gifts with a reservation*

**84 Charge to income tax by reference to enjoyment of property previously owned**

- (1) Schedule 15 (which contains provisions imposing a charge to income tax by reference to benefits received in certain circumstances by a former owner of property) has effect.
- (2) That Schedule has effect for the year 2005-06 and subsequent years of assessment.

*Employment-related securities and options*

**85 Relief where national insurance contributions met by employee**

- (1) Schedule 16 to this Act provides—
  - (a) for income tax relief in certain cases where national insurance contributions are met by an employee, and
  - (b) for consequential amendments.

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- (2) This section (and that Schedule) come into force in accordance with provision made by the Treasury by order made by statutory instrument.

**Commencement Information**

**I12** S. 85 in force at 1.9.2004 by S.I. 2004/1945, art. 2

**86 Shares in employee-controlled companies and unconnected companies**

- (1) Each of the provisions of Part 7 of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) (employment income: securities) specified in subsection (2) (exception from charges for certain company shares) is amended in accordance with subsections (3) to (5).
- (2) The provisions are—
- (a) section 429 (restricted securities),
  - (b) section 443 (convertible securities),
  - (c) section 446R (securities acquired for less than market value), and
  - (d) section 449 (post-acquisition benefits from securities).
- (3) In subsection (1) of each of those sections, after paragraph (b) (but before the word “and” where that word features at the end) insert—
- “(ba) subsection (1A) is satisfied.”
- <sup>F59</sup>(4) . . . . .
- (5) In subsection (4) of sections 429, 443 and 446R, and in subsection (3) of section 449, for the words after “are not” substitute “employment-related securities.”; and accordingly omit sections 429(5), 443(5), 446R(5) and 449(4).
- (6) In Chapter 3A of that Part of that Act (securities with artificially depressed market value), after section 446I insert—

**“446IA Disapplication of exceptions from charges**

- (1) Section 429 (exception from charge under section 426 for certain company shares) does not prevent section 426 (restricted securities: chargeable events) applying in relation to an event if section 446E or 446I(1)(a) would have effect in relation to the event.
- (2) Section 443 (exception from charge under section 438 for certain company shares) does not prevent section 438 (convertible securities: chargeable events) applying in relation to an event if section 446G, 446H or 446I(1)(b) would have effect in relation to the event.
- (3) Section 446R (exception from charge under Chapter 3C for certain company shares) does not prevent that Chapter (securities acquired for less than market value) applying in relation to employment-related securities if section 446B would have effect in relation to them.
- (4) Section 449 (exception from charge under Chapter 4 for certain company shares) does not prevent that Chapter (benefits from securities) applying in

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relation to a benefit if section 446I(1)(e) would have effect in relation to the benefit.”.

- (7) In Chapter 3B of that Part of that Act (securities with artificially enhanced market value), after section 446N insert—

**“446NA Disapplication of exceptions from charges**

- (1) None of the provisions specified in subsection (2) (exceptions from charges for certain company shares) apply in relation to employment-related securities if the market value of the employment-related securities at the time of the acquisition has been increased by at least 10% by non-commercial increases within the period of 7 years ending with the acquisition.
- (2) The provisions are—
- (a) section 429 (restricted securities),
  - (b) section 443 (convertible securities),
  - (c) section 446R (securities acquired for less than market value), and
  - (d) section 449 (post-acquisition benefits from securities).
- (3) If section 446L (market value on valuation date increased by more than 10% by non-commercial increases during relevant period) applies in relation to employment-related securities, section 429 does not subsequently apply in relation to the employment-related securities.”.

- (8) This section applies on and after 7th May 2004.

**Textual Amendments**

- F59** S. 86(4) repealed (with effect in accordance with Sch. 11 Pt. 2(1) Note of the amending Act) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), [Sch. 11 Pt. 2\(1\)](#)

**87 Restricted securities with artificially depressed value**

- (1) Section 446E of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) (employee securities with artificially depressed market value: charge on restricted securities) is amended as follows.
- (2) In subsection (1), after “on restricted securities),” insert—
- “(aa) immediately before the employment-related securities are disposed of (in circumstances which do not constitute such an event) or are cancelled without being disposed of,”.
- (3) For subsections (3) to (6) substitute—
- “(3) “The relevant period” is the period beginning—
- (a) if section 425(2) (no charge on acquisition of certain restricted securities or restricted interests in securities) applied in relation to the employment-related securities, 7 years before the acquisition, and
  - (b) in any other case, 7 years before the relevant date,
- and ending with the relevant date.
- (4) “The relevant date” is—



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- (a) in a case within subsection (1)(a), the date on which the chargeable event concerned occurs,
    - (b) in a case within subsection (1)(aa), the date on which the disposal or cancellation concerned occurs, and
    - (c) in a case within subsection (1)(b), the 5th April concerned.
  - (5) Where this section applies in a case within subsection (1)(aa) or (b), a chargeable event within section 427(3)(a) (lifting of restrictions) is to be treated as occurring in relation to the employment-related securities on the relevant date.
  - (6) In every case where this section applies, subsection (1) of section 428 (amount of charge on restricted securities) applies as if the reference in subsection (2) of that section to what would be the market value of the employment-related securities immediately after the chargeable event but for any restrictions were to what would be their market value at the appropriate time but for the matters to be disregarded.
  - (7) “The appropriate time” is—
    - (a) in a case within subsection (1)(a) or (b), the time immediately after the chargeable event concerned, and
    - (b) in a case within subsection (1)(aa), the time immediately before the chargeable event concerned.
  - (8) “The matters to be disregarded” are—
    - (a) any restrictions,
    - (b) the things done as mentioned in subsection (2), and
    - (c) if the employment-related securities are about to be disposed of or cancelled, that fact.
  - (9) Where this section applies in a case within subsection (1)(aa), section 428(1) applies with the omission of the reference to OP.
  - (10) Where this section applies in a case within subsection (1)(a) and the chargeable event concerned is within section 427(3)(c) (disposal for consideration), section 428 applies with the omission of subsection (9) (case where consideration is less than actual market value).”
- (4) This section applies on and after 7th May 2004.
- (5) But if the employment-related securities were acquired before that date, section 446E of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) does not apply by virtue of the amendment made by subsection (2) of this section unless their market value would be artificially low immediately before the disposal or cancellation if the date on which the relevant period began were the later of—
- (a) that on which it did begin, and
  - (b) 7th May 2004.

## **88 Shares under approved plans and schemes**

- (1) The Income Tax (Earnings and Pensions) Act 2003 is amended as follows.
- (2) Omit section 421G (exclusion from Chapters 2 to 4 of Part 7 of shares awarded or acquired under approved plan or scheme).

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(3) In Chapter 2 of Part 7 (restricted securities), after section 431 insert—

**“431A Shares under approved plan or scheme**

- (1) Where employment-related securities are restricted securities or a restricted interest in securities, the employer and the employee are to be treated as making an election under section 431(1) in relation to the employment-related securities if they are shares, or an interest in shares, to which this subsection applies.
- (2) Subsection (1) applies to—
- (a) shares awarded or acquired under an approved share incentive plan (within the meaning of Chapter 6 of this Part) in circumstances in which (in accordance with section 490) no liability to income tax arises,
  - (b) shares acquired by the exercise of a share option granted under an approved SAYE option scheme (within the meaning of Chapter 7 of this Part) in circumstances in which (in accordance with section 519) no liability to income tax arises,
  - (c) shares acquired by the exercise of a share option granted under an approved CSOP scheme (within the meaning of Chapter 8 of this Part) in circumstances in which (in accordance with section 524) no liability to income tax arises, and
  - (d) shares acquired by the exercise of a qualifying option within the meaning of section 527(4) (enterprise management incentives) in circumstances in which (in accordance with section 530) no liability to income tax arises.”.
- (4) In section 489 (operation of tax advantages in connection with approved share incentive plans), after subsection (3) insert—
- “(4) And those sections do not apply if the main purpose (or one of the main purposes) of the arrangements under which the shares in question are awarded or acquired is the avoidance of tax or national insurance contributions.”.
- (5) In sections 505 and 506 (charge on shares ceasing to be subject to approved share incentive plan), after subsection (4) insert—
- “(4A) Any tax due under subsection (2) or (3) is reduced by the amount or aggregate amount of any tax paid by virtue of Chapter 3B of this Part in relation to the shares.”.
- (6) In section 519(1) (approved SAYE option schemes: no charge in respect of exercise of option) insert at the end “and
- (c) the avoidance of tax or national insurance contributions is not the main purpose (or one of the main purposes) of any arrangements under which the option was granted or is exercised.”.
- (7) In section 524(1) (approved CSOP schemes: no charge in respect of exercise of option) insert at the end “and
- (c) the avoidance of tax or national insurance contributions is not the main purpose (or one of the main purposes) of any arrangements under which the option was granted or is exercised.”.

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- (8) Section 701 (PAYE: meaning of “asset”) is amended as follows.
- (9) In subsection (2)(c)—
- (a) in sub-paragraph (ia), for the words after “employee” substitute “ under a scheme approved under Schedule 4 (approved CSOP schemes) in circumstances in which Condition A or B as set out in section 524(2) or (2A) is met; ”,
  - (b) omit sub-paragraph (ii), and
  - (c) in sub-paragraph (iii), after “1996” insert “ where the avoidance of tax or national insurance contributions is not the main purpose (or one of the main purposes) of any arrangements under which the right was obtained or is exercised ”.
- (10) After subsection (3) insert—
- “(3A) Paragraph (c) of subsection (2) does not apply to shares after their acquisition as mentioned in that paragraph.”.
- (11) This section has effect on and after 18th June 2004 and (so far as it does not relate to the award or acquisition of shares) applies in relation to shares awarded or acquired before that date as well as in relation to those awarded or acquired on or after that date.
- (12) Where section 431A(1) of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) (as inserted by subsection (3)) has effect (by virtue of subsection (11)) in relation to shares acquired before 18th June 2004, it applies in relation to them so as to treat an election under section 431(1) of that Act as made in relation to them on that date.
- (13) For the purposes of the application of Chapter 3B of Part 7 of that Act (securities with artificially enhanced market value) by reason of subsections (2) and (11) in relation to shares acquired before 18th June 2004, section 446O of that Act (meaning of “relevant period”) has effect as if they were acquired on that date.

## **89 Shares acquired on public offer**

- (1) Section 421F of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) (exclusion from Chapters 2 to 4 of Part 7 of shares acquired under terms of offer to the public) is amended as follows.
- (2) In subsection (1), for “Chapters 2 to 4” substitute “ Chapters 2, 3 and 3C ”.
- (3) After that subsection insert—
- “(1A) But subsection (1) does not disapply those Chapters if the main purpose (or one of the main purposes)—
- (a) of the arrangements under which the right or opportunity under which the shares were acquired, or
  - (b) for which the shares are held,
- is the avoidance of tax or national insurance contributions.”.
- (4) This section has effect on and after 18th June 2004 and applies in relation to shares acquired before that date as well as in relation to those acquired on or after that date.
- (5) For the purposes of the application of Chapter 3B of Part 7 of the Income Tax (Earnings and Pensions) Act 2003 (securities with artificially enhanced market value) by reason of subsections (2) and (4) in relation to shares acquired before that date, section 446O

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of that Act (meaning of “relevant period”) has effect as if they were acquired on that date.

## 90 Associated persons etc.

- (1) Part 7 of the Income Tax (Earnings and Pensions) Act 2003 (employment income: securities) is amended as follows.
- (2) In section 421C(2) (meaning of “relevant linked person” for purposes of Chapters 1 to 4), for “are connected or, although not connected, are” substitute “are or have been connected or (without being or having been connected) are or have been ”.
- (3) In section 472(2) (meaning of “relevant linked person” for purposes of Chapter 5), for “are connected or, although not connected, are” substitute “are or have been connected or (without being or having been connected) are or have been ”.
- (4) In section 477(3)(c) (chargeable events in relation to employment-related securities options), for the words after “benefit” substitute “ in connection with the employment-related securities option (other than one within paragraph (a) or (b)). ”
- (5) This section has effect on and after 18th June 2004 and applies in relation to securities, interests and options that were employment-related securities or employment-related securities options on that date (as well as those acquired on or after that date).

### *Miscellaneous*

## <sup>F60</sup>91 Income of spouses: jointly held property

.....

### **Textual Amendments**

**F60** S. 91 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

## 92 Minor amendments of or connected with ITEPA 2003

Schedule 17 to this Act contains minor amendments of or connected with the Income Tax (Earnings and Pensions) Act 2003 (c. 1).

## CHAPTER 5

### ENTERPRISE INCENTIVES

## 93 Enterprise investment scheme

Schedule 18 (which makes amendments to the enterprise investment scheme) has effect.

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## 94 Venture capital trusts

<sup>F61</sup>(1) .....

<sup>F61</sup>(2) .....

(3) Schedule 19 (which makes amendments relating to venture capital trusts) has effect.

### Textual Amendments

**F61** S. 94(1)(2) repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

## 95 Corporate venturing scheme

Schedule 20 (which makes amendments relating to the corporate venturing scheme) has effect.

## 96 Enterprise management incentives: subsidiaries

(1) Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003 (enterprise management incentives) is amended as follows.

(2) In paragraph 8 (qualifying companies: introduction) after “having only qualifying subsidiaries (see paragraphs 10 and 11),” insert— “property managing subsidiaries (see paragraphs 11A and 11B),”.

(3) In paragraph 10 (the qualifying subsidiaries requirement) for sub-paragraph (2) substitute—

“(2) In this paragraph “subsidiary” means any company which the company controls, either on its own or together with any person connected with it.

(3) For the purpose of sub-paragraph (2), the question whether a person controls a company is to be determined in accordance with section 416(2) to (6) of ICTA (“control” in the context of close companies).”

(4) In paragraph 11 (meaning of “qualifying subsidiary”)—

(a) in sub-paragraph (2), omit paragraphs (a) to (c),

(b) before paragraph (d) of that sub-paragraph insert—

“(ca) that the subsidiary is a 51% subsidiary of the holding company;”,

(c) in paragraph (d) of that sub-paragraph, after “company” insert “or another of its subsidiaries”.

(d) in paragraph (e) of that sub-paragraph, for “the conditions in paragraphs (a) to” substitute “either of the conditions in paragraphs (ca) and”.

(e) omit sub-paragraph (3),

(f) after sub-paragraph (7) insert—

“(8) Sub-paragraph (9) applies at a time when the subsidiary or another company is in administration or receivership.

(9) The subsidiary is not to be regarded, by reason only of anything done as a consequence of the company concerned being in administration

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or receivership, as having ceased to be a company in relation to which the conditions in sub-paragraph (2) are met if—

- (a) the entry into administration or receivership, and
- (b) everything done as a consequence of the company concerned being in administration or receivership,

is for commercial reasons and is not part of a scheme or arrangement the main purpose (or one of the main purposes) of which is the avoidance of tax.

- (10) Section 312(2A) of ICTA (meaning of being in administration or receivership) applies for the purposes of sub-paragraphs (8) and (9) as it applies for the purposes of Chapter 3 of Part 7 of ICTA (enterprise investment scheme)."

(5) After paragraph 11 insert—

**11A “The property managing subsidiaries requirement**

- (1) A company is not a qualifying company if it has a property managing subsidiary which is not a qualifying 90% subsidiary of the company (see paragraph 11B).
- (2) “Property managing subsidiary” means a qualifying subsidiary of a company whose business consists wholly or mainly in the holding or managing of land or any property deriving its value from land.
- (3) In sub-paragraph (2) “land” and “property deriving its value from land” have the same meaning as in section 776 of ICTA.

**11B Meaning of “qualifying 90% subsidiary”**

- (1) A company (“the subsidiary”) is a qualifying 90% subsidiary of a company (“the holding company”) if the following conditions are met.
- (2) The conditions are—
  - (a) that the holding company possesses not less than 90% of the issued share capital of, and not less than 90% of the voting power in, the subsidiary;
  - (b) that the holding company would—
    - (i) in the event of a winding up of the subsidiary, or
    - (ii) in any other circumstances,
 be beneficially entitled to not less than 90% of the assets of the subsidiary which would then be available for distribution to the shareholders of the subsidiary;
  - (c) that the holding company is beneficially entitled to not less than 90% of any profits of the subsidiary which are available for distribution to the shareholders of the subsidiary;
  - (d) that no person other than the holding company has control of the subsidiary; and
  - (e) that no arrangements are in existence by virtue of which any of the conditions in paragraphs (a) to (d) would cease to be met.

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(3) Sub-paragraphs (4) to (10) of paragraph 11 (but not sub-paragraph (6)(b)) apply in relation to the conditions in sub-paragraph (2) above as they apply in relation to the conditions in sub-paragraph (2) of that paragraph.”.

(6) The amendments made by this section have effect in relation to any right to acquire shares granted on or after 17th March 2004.

## CHAPTER 6

### EXEMPTION FROM INCOME TAX FOR CERTAIN INTEREST AND ROYALTY PAYMENTS

#### *Introductory*

#### **F6297** **Introductory**

.....

##### **Textual Amendments**

**F62** S. 97 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 631, Sch. 3](#) (with [Sch. 2](#))

#### *Exemption from income tax*

#### **F6398** **Exemption from income tax for certain interest and royalty payments**

.....

##### **Textual Amendments**

**F63** S. 98 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 632, Sch. 3](#) (with [Sch. 2](#))

#### **F6499** **Permanent establishments and “25% associates”**

.....

##### **Textual Amendments**

**F64** S. 99 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 633, Sch. 3](#) (with [Sch. 2](#))

#### *Exemption notices*

#### **F65100** **Interest payments: exemption notices**

.....

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**Textual Amendments**

- F65** S. 100 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), Sch. 1 para. 634, [Sch. 3](#) (with Sch. 2)

*Payment without deduction*

**<sup>F66</sup>101 Payment of royalties without deduction at source**

.....

**Textual Amendments**

- F66** S. 101 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), Sch. 1 para. 463, [Sch. 3 Pt. 1](#) (with Sch. 2)

**<sup>F67</sup>102 Claim for tax deducted at source from exempt interest or royalty payments**

.....

**Textual Amendments**

- F67** S. 102 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), Sch. 1 para. 463, [Sch. 3 Pt. 1](#) (with Sch. 2)

*Special relationships and anti-avoidance*

**<sup>F68</sup>103 Special relationships**

.....

**Textual Amendments**

- F68** S. 103 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), Sch. 1 para. 637, [Sch. 3](#) (with Sch. 2)

**<sup>F69</sup>104 Anti-avoidance**

.....

**Textual Amendments**

- F69** S. 104 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), Sch. 1 para. 638, [Sch. 3](#) (with Sch. 2)



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### Supplementary

#### 105 Consequential amendments

(1) Section 98 of the Taxes Management Act 1970 (c. 9) (special returns etc) is amended as follows.

(2) In subsection (4A)(b), after “(4D)” insert “, (4DA)”.

(3) After subsection (4D) insert—

“(4DA) A payment is within this subsection if—

- (a) it is a payment to which section 349(1) of the principal Act (requirement to deduct tax) applies,
- (b) a company, purporting to rely on section 101 of the Finance Act 2004 (payment of royalties without deduction at source), makes the payment without deduction of tax under section 349(1) of the principal Act, and
- (c) at the time the payment is made section 98 of the Finance Act 2004 does not apply to the payment and the company—
  - (i) does not believe that that section does so apply, or
  - (ii) if it does so believe, cannot reasonably do so.”.

(4) In section 18 of the Taxes Act 1988 (Schedule D) after subsection (5) insert—

“(6) This section is subject to Chapter 6 of Part 3 of the Finance Act 2004 (exemption from income tax for certain interest and royalty payments).”.

(5) In section 349 of the Taxes Act 1988 (certain payments to be made subject to deduction of income tax) after subsection (6) insert—

“(7) This section is subject to Chapter 6 of Part 3 of the Finance Act 2004 (exemption from income tax for certain interest and royalty payments).”.

#### <sup>F70</sup> 106 Transitional provision

.....

#### Textual Amendments

**F70** S. 106 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), Sch. 1 para. 639, [Sch. 3](#) (with [Sch. 2](#))

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## CHAPTER 7

### SAVINGS INCOME: DOUBLE TAXATION ARISING FROM WITHHOLDING TAX

#### *Introductory*

#### <sup>F71</sup>107 Introductory

.....

##### **Textual Amendments**

- F71** Ss. 107-111 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 62\(a\), Sch. 10 Pt. 1](#) (with Sch. 9 paras. 1-9, 22)

#### *Credit etc for special withholding tax*

#### <sup>F71</sup>108 Income tax credit etc for special withholding tax

.....

##### **Textual Amendments**

- F71** Ss. 107-111 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 62\(a\), Sch. 10 Pt. 1](#) (with Sch. 9 paras. 1-9, 22)

#### <sup>F71</sup>109 Capital gains tax credit etc for special withholding tax

.....

##### **Textual Amendments**

- F71** Ss. 107-111 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 62\(a\), Sch. 10 Pt. 1](#) (with Sch. 9 paras. 1-9, 22)

#### <sup>F71</sup>110 Credit under Part 18 of Taxes Act 1988 to be allowed first

.....

##### **Textual Amendments**

- F71** Ss. 107-111 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 62\(a\), Sch. 10 Pt. 1](#) (with Sch. 9 paras. 1-9, 22)

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### Computation of income etc

#### <sup>F71</sup> 111 Computation of income etc subject to special withholding tax only

.....

##### Textual Amendments

**F71** Ss. 107-111 repealed (with effect in accordance with s. 381(1) of the amending Act) by Taxation (International and Other Provisions) Act 2010 (c. 8), s. 381(1), Sch. 8 para. 62(a), **Sch. 10 Pt. 1** (with Sch. 9 paras. 1-9, 22)

#### 112 Computation of income etc subject to foreign tax and special withholding tax

- (1) Section 795 of the Taxes Act 1988 (double taxation relief: computation of income subject to foreign tax) is amended as follows.
- (2) In subsection (1) (remittance basis: grossing up) after “increased by” insert “ — (a) ” and at the end insert—
  - “, and
  - (b) the amount of any special withholding tax levied in respect of the income.”.
- (3) In subsection (2)(a) (other cases: no deduction for foreign tax) after “foreign tax” insert “ or special withholding tax ”.
- (4) After subsection (4) insert—
  - “(5) In this section—
    - (a) “special withholding tax” has the same meaning as in Chapter 7 of Part 3 of the Finance Act 2004 (see section 107(3) of that Act); and
    - (b) references to special withholding tax are to special withholding tax in respect of which a claim has been made under that Chapter.”.
- (5) Section 277 of the Taxation of Chargeable Gains Act 1992 (c. 12) (which applies Chapters 1 and 2 of Part 18 of the Taxes Act 1988 in relation to capital gains tax) is amended as follows.
- (6) After subsection (1) insert—
  - “(1A) Subsection (1B) below applies where—
    - (a) a chargeable gain accrues to a person on a disposal by him of assets in circumstances where the consideration for the disposal consists of or includes an amount of savings income, and
    - (b) special withholding tax is levied in respect of the whole or any part of the consideration for the disposal.
  - (1B) In section 795 of the Taxes Act, as applied by this section, for the reference in subsection (1)(b) to the amount of any special withholding tax levied in respect of the income, there shall be substituted a reference to an amount equal to—

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$$\text{SWT} \times \frac{\text{GUK}}{G - \text{SWT}}$$

where—

SWT is the amount of special withholding tax levied in respect of the whole or the part of the consideration for the disposal,

GUK is the amount of the chargeable gain received in the United Kingdom, and

G is the amount of the chargeable gain accruing to the person on the disposal.

(1C) In subsections (1A) and (1B) above “savings income” and “special withholding tax” have the same meaning as in Chapter 7 of Part 3 of the Finance Act 2004 (see section 107 of that Act); and references to special withholding tax are to special withholding tax in respect of which a claim has been made under that Chapter.”

*Certificates to avoid levy of special withholding tax*

**F72 113 Issue of certificate**

.....

**Textual Amendments**

**F72** S. 113 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), Sch. 8 para. 62(b), **Sch. 10 Pt. 1** (with Sch. 9 paras. 1-9, 22)

**F73 114 Refusal to issue certificate and appeal against refusal**

.....

**Textual Amendments**

**F73** S. 114 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), Sch. 8 para. 62(b), **Sch. 10 Pt. 1** (with Sch. 9 paras. 1-9, 22)

*SupplementaryM*

**115 Supplementary**

(1) In section 792 of the Taxes Act 1988 (double taxation relief: interpretation of the credit code) in subsection (1), in the definition of “foreign tax”, at the end insert “ (other than special withholding tax within the meaning of Chapter 7 of Part 3 of the Finance Act 2004) ”.

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- (2) In section 811 of the Taxes Act 1988 (deduction for foreign tax where no credit allowable) in subsection (2), at the end insert “ and to section 111 of the Finance Act 2004 (computation of income subject to special withholding tax) ”.
- (3) In section 278 of the Taxation of Chargeable Gains Act 1992 (c. 12) (allowance for foreign tax) in subsection (1), after “section 277” insert “ and to section 111 of the Finance Act 2004 (computation of chargeable gains subject to special withholding tax) ”.

<sup>F74</sup>(4) .....

#### Textual Amendments

**F74** S. 115(4) repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), Sch. 8 para. 62(c), **Sch. 10 Pt. 1** (with Sch. 9 paras. 1-9, 22)

## CHAPTER 8

### CHARGEABLE GAINS

#### 116 Restriction of gifts relief etc

Schedule 21 (which makes provision for relief under section 165 or 260 of the Taxation of Chargeable Gains Act 1992 (c. 12) not to be available on certain transfers to settlor-interested settlements etc or on transfers of shares etc to companies, and makes minor amendments in sections 79 and 281 of that Act) has effect.

#### 117 Private residence relief

Schedule 22 (which makes provision about private residence relief) has effect.

#### 118 Authorised unit trusts: treatment of umbrella schemes

- (1) The Taxation of Chargeable Gains Act 1992 is amended as follows.
- (2) In section 99(2) (application of Act to unit trust schemes: definitions)—
  - (a) in the opening words, after “Subject to subsection (3)” insert “ and section 99A ”; and
  - (b) for paragraph (b) substitute—
    - “(aa) “unit holder” means a person entitled to a share of the investments subject to the trusts of a unit trust scheme;
    - (b) “authorised unit trust” means, as respects an accounting period, a unit trust scheme in the case of which an order under section 243 of the Financial Services and Markets Act 2000 is in force during the whole or part of that period.”
- (3) After that section insert—

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### **“99A Authorised unit trusts: treatment of umbrella schemes**

- (1) In this section an “umbrella scheme” means an authorised unit trust—
- (a) which provides arrangements for separate pooling of the contributions of the participants and the profits or income out of which payments are to be made to them, and
  - (b) under which the participants are entitled to exchange rights in one pool for rights in another,
- and any reference to a part of an umbrella scheme is a reference to such of the arrangements as relate to a separate pool.
- (2) For the purposes of this Act (except subsection (1))—
- (a) each of the parts of an umbrella scheme shall be regarded as an authorised unit trust, and
  - (b) the scheme as a whole shall not be regarded as an authorised unit trust or as any other form of collective investment scheme.
- (3) In this Act, in relation to a part of an umbrella scheme, any reference to a unit holder is to a person for the time being having rights in the separate pool to which the part of the umbrella scheme relates.
- (4) Nothing in subsections (2) or (3) shall prevent—
- (a) gains accruing to an umbrella scheme being regarded as gains accruing to an authorised unit trust for the purposes of section 100(1) (exemption for authorised unit trusts etc);
  - (b) a transfer of business to an umbrella scheme being regarded as a transfer to an authorised unit trust for the purposes of section 139(4) (exclusion of transfers to authorised unit trusts etc);
  - (c) a disposal by a unit holder of units in an umbrella scheme being regarded as a disposal by him of units in an authorised unit trust for the purposes of section 271(1)(j) (exemption for disposal of units in an authorised unit trust which is also an approved personal pension scheme etc).”.
- (4) In section 288 (interpretation)—
- (a) in subsection (1), in the definition of “collective investment scheme”, at the end insert “ (subject to section 99A) ”;
  - (b) in the table in subsection (8) (index of general definitions)—
    - (i) in the first column after “Unit trust scheme” insert “ and “unit holder” ”;
    - (ii) in the second column for “s 99” substitute “ ss 99 and 99A ”.
- (5) The amendments made by this section have effect in relation to years of assessment and accounting periods beginning on or after 1st April 2004.

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## CHAPTER 9

### AVOIDANCE INVOLVING LOSS RELIEF OR PARTNERSHIP

#### *Individuals benefited by film relief*

#### <sup>F75</sup>119 Individuals benefited by film relief

.....

##### Textual Amendments

**F75** Ss. 119-123 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 464](#), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

#### <sup>F75</sup>120 “Disposal of a right of the individual to profits arising from the trade”

.....

##### Textual Amendments

**F75** Ss. 119-123 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 464](#), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

#### <sup>F75</sup>121 “The losses claimed” and “the individual’s capital contribution to the trade”

.....

##### Textual Amendments

**F75** Ss. 119-123 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 464](#), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

#### <sup>F75</sup>122 Computing the chargeable amount

.....

##### Textual Amendments

**F75** Ss. 119-123 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 464](#), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

#### <sup>F75</sup>122A Partners: meaning of “capital contribution to the trade”

.....

*Status: Point in time view as at 06/04/2021.*

*Changes to legislation: Finance Act 2004 is up to date with all changes known to be in force on or before 09 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

**Textual Amendments**

**F75** Ss. 119-123 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 464](#), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

**<sup>F75</sup>123 “Film-related losses” and “non-taxable consideration”**

.....

**Textual Amendments**

**F75** Ss. 119-123 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 464](#), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

*Individuals in partnership: restriction of relief*

**<sup>F76</sup>124 Restriction of relief: non-active partners**

.....

**Textual Amendments**

**F76** S. 124 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

**<sup>F77</sup>125 Partnerships exploiting films**

.....

**Textual Amendments**

**F77** S. 125 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

*Individuals in partnership: exit charge*

**<sup>F78</sup>126 Losses derived from exploiting licence: introductory**

.....

**Textual Amendments**

**F78** Ss. 126-130 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 465](#), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))



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<sup>F78</sup>**127 Charge to income tax**

.....

**Textual Amendments**

**F78** Ss. 126-130 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 465](#), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

<sup>F78</sup>**128 Definitions for purposes of section 127**

.....

**Textual Amendments**

**F78** Ss. 126-130 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 465](#), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

<sup>F78</sup>**129 Disposals to which section 126 applies**

.....

**Textual Amendments**

**F78** Ss. 126-130 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 465](#), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

<sup>F78</sup>**130 “A significant amount of time”**

.....

**Textual Amendments**

**F78** Ss. 126-130 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 465](#), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

*Companies in partnership*

<sup>F79</sup>**131 Companies in partnership**

.....

**Textual Amendments**

**F79** Ss. 131-133 omitted (retrospective and with effect in accordance with [Sch. 24 paras. 12, 13-16](#) to the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), [Sch. 24 paras. 8\(b\), 12](#)

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### <sup>F79</sup> 132 Companies in partnership: supplementary

.....

#### Textual Amendments

**F79** Ss. 131-133 omitted (retrospective and with effect in accordance with Sch. 24 paras. 12, 13-16 to the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), [Sch. 24 paras. 8\(b\), 12](#)

### <sup>F79</sup> 133 Relationship with chargeable gains

.....

#### Textual Amendments

**F79** Ss. 131-133 omitted (retrospective and with effect in accordance with Sch. 24 paras. 12, 13-16 to the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), [Sch. 24 paras. 8\(b\), 12](#)

## CHAPTER 10

### AVOIDANCE: MISCELLANEOUS

### 134 Finance leasebacks

- (1) After section 228 of the Capital Allowances Act 2001 (c. 2) (sale and leaseback: election) insert—

*“Finance leaseback: parties' income and profits*

#### **228A Application of sections 228B to 228E**

- (1) Sections 228B to 228E apply where—
- (a) plant or machinery is the subject of a sale and finance leaseback for the purposes of section 221, and
  - (b) section 222 (restriction of disposal value) applies.
- (2) Sections 228B to 228D also apply, with the modifications set out in section 228F, where plant or machinery is the subject of a lease and finance leaseback (as defined in section 228F).

#### **228B Lessee's income or profits: deductions**

- (1) For the purpose of income tax or corporation tax, in calculating the lessee's income or profits for a period of account the amount deducted in respect of amounts payable under the leaseback may not exceed the permitted maximum.
- (2) The permitted maximum is the total of—
- (a) finance charges shown in the accounts, and

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- (b) depreciation, taking the value of the plant or machinery at the beginning of the leaseback to be the restricted disposal value.
- (3) In relation to a period of account during which the leaseback terminates, the permitted maximum shall also include an amount calculated in accordance with subsection (4).
- (4) The calculation is—

$$\text{CurrentBookValue} \times \frac{\text{OriginalConsideration}}{\text{OriginalBookValue}}$$

where—

“Current Book Value” means the net book value of the leased plant or machinery immediately before the termination,

“Original Consideration” means the consideration payable to S for entering into the relevant transaction, and

“Original Book Value” means the net book value of the leased plant or machinery at the beginning of the leaseback.

### **228C Lessee’s income or profits: termination of leaseback**

- (1) Subsection (2) applies where the leaseback terminates.
- (2) For the purpose of the calculation of income tax or corporation tax, the income or profits of the lessee from the relevant qualifying activity for the period in which the termination occurs shall be increased by an amount calculated in accordance with subsection (3).
- (3) The calculation is—

$$\text{NetConsideration} \times \frac{\text{CurrentBookValue}}{\text{OriginalBookValue}}$$

where—

“Net Consideration” means—

- (a) the consideration payable to S for entering into the relevant transaction, minus
- (b) the restricted disposal value,

“Current Book Value” means the net book value of the leased plant or machinery immediately before the termination, and

“Original Book Value” means the net book value of the leased plant or machinery at the beginning of the leaseback.

- (4) In this section “relevant qualifying activity” means the qualifying activity for the purposes of which the leased plant or machinery was used immediately before the termination.

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- (5) Section 228B has no effect on the treatment for the purposes of income tax or corporation tax of amounts received by way of refund on the termination of a leaseback of amounts payable under it.
- (6) In subsection (5), “amounts received by way of refund” includes any amount that would be so received in respect of the lessee’s interest under the leaseback if any amounts due to the lessor under the leaseback were disregarded.

### **228D Lessor’s income or profits**

- (1) This section applies in relation to the calculation of the lessor’s income or profits for a period of account for the purpose of income tax or corporation tax.
- (2) Where—
  - (a) an amount receivable in respect of the lessor’s interest under the leaseback falls to be taken into account in that calculation, and
  - (b) that amount is reduced by an amount due to the lessee under the leaseback,
 that reduction shall be disregarded when taking the amount receivable into account.
- (3) The amounts receivable in respect of the lessor’s interest under the leaseback that fall to be taken into account in that calculation may be disregarded to the extent that they exceed the permitted threshold (whether or not subsection (2) applies).
- (4) The permitted threshold is the total of—
  - (a) gross earnings, and
  - (b) the allowable proportion of the capital repayment.
- (5) In subsection (4)(a) “gross earnings” means the amount shown in the lessor’s accounts in respect of the lessor’s gross earnings under the leaseback.
- (6) In subsection (4)(b) “allowable proportion of the capital repayment” means the amount obtained by this calculation—

$$\text{Restricted Disposal Value} \times \frac{\text{Investment Reduction}}{\text{Net Investment}}$$

where—

“Investment Reduction For Period” means the amount shown in the lessor’s accounts in respect of the reduction in net investment in the leaseback, and

“Net Investment” means the amount shown in the lessor’s accounts as the lessor’s net investment in the leaseback at the beginning of its term.

- (7) This section does not apply to a leaseback if the lessee is a lessee by way of an assignment made before 17 March 2004.

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### **228E Lessor's income or profits: termination of leaseback**

- (1) Subsection (2) applies where—
  - (a) the leaseback terminates,
  - (b) the lessor disposes of the plant or machinery, and
  - (c) the amount of the disposal value required to be brought into account because of that disposal is limited by section 62.
- (2) For the purpose of income tax or corporation tax, in calculating the lessor's income or profits for the period in which the termination occurs the amount deducted in respect of any amount refunded to the lessee may not exceed the amount to which the disposal value is limited by section 62.

### **228F Lease and finance leaseback**

- (1) Sections 228B, 228C and 228D apply, with the following modifications, where plant or machinery is the subject of a lease and finance leaseback.
- (2) In determining the permitted maximum for the purposes of section 228B, depreciation shall be disregarded.
- (3) In the calculation under section 228C(3), the amount of the consideration referred to in subsection (6)(b) of this section shall be substituted for the Net Consideration.
- (4) In determining the permitted threshold for the purposes of section 228D, the allowable proportion of the capital repayment shall be disregarded.
- (5) Plant or machinery is the subject of a lease and finance leaseback if—
  - (a) a person (“S”) leases the plant or machinery to another (“B”),
  - (b) after the date of that transaction, the use of the plant or machinery falls within sub-paragraph (i), (ii) or (iii) of section 221(1)(b), and
  - (c) it is directly as a consequence of having been leased under a finance lease that the plant or machinery is available to be so used after that date.
- (6) For the purposes of subsection (5), S leases the plant or machinery to B only if—
  - (a) S grants B rights over the plant or machinery,
  - (b) consideration is given for that grant, and
  - (c) S is not required to bring all of that consideration into account under this Part.
- (7) Plant or machinery is not the subject of a lease and finance leaseback for the purposes of this section in any case where the condition in subsection (6)(c) is met only because of an election under section 199 made before 18 May 2004.
- (8) In the application of sections 228B to 228D in relation to a lease and finance leaseback—
  - (a) references to the lessee are references to the person referred to as S in this section, and

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- (b) references to the lessor are references to the person referred to as B in this section or, where appropriate, to an assignee of that person.

### **228G Leaseback not accounted for as finance lease in accounts of lessee**

- (1) Sections 228B and 228C are subject to this section in their application in relation to a leaseback that is not accounted for as a finance lease in the accounts of the lessee.
- (2) Subsection (3) applies where the leaseback is accounted for as a finance lease in the accounts of a person connected with the lessee; and in that subsection “relevant calculation” means the calculation of—
  - (a) the permitted maximum for the purposes of section 228B, or
  - (b) the amount by which the income or profits of the lessee are to be increased in accordance with section 228C.
- (3) Where an amount that falls to be used for the purposes of a relevant calculation—
  - (a) cannot be ascertained by reference to the lessee’s accounts because the leaseback is not accounted for as a finance lease in those accounts, but
  - (b) can be ascertained by reference to the connected person’s accounts for one or more periods,
 that amount as ascertained by reference to the connected person’s accounts shall be used for the purposes of the relevant calculation.
- (4) Subsections (5) and (6) apply in a case where the leaseback is not accounted for as a finance lease in the accounts of a person connected with the lessee.
- (5) Sections 228B and 228C do not apply in relation to the leaseback.
- (6) If the term of the leaseback begins on or after 18 May 2004 then, for the purposes of income tax or corporation tax, the income or profits of the lessee from the relevant qualifying activity for the period of account during which the term of the leaseback begins shall be increased by—
  - (a) the net consideration for the purposes of section 228C(3) (in the case of a sale and finance leaseback), or
  - (b) the consideration referred to in section 228F(6)(b) (in the case of a lease and finance leaseback).
- (7) For the purposes of this section the leaseback is accounted for as a finance lease in a person’s accounts if—
  - (a) the leaseback falls, under generally accepted accounting practice, to be treated in that person’s accounts as a finance lease or loan, or
  - (b) in a case where the leaseback is comprised in other arrangements, those arrangements fall, under generally accepted accounting practice, to be so treated.

### **228H Sections 228A to 228G: supplementary**

- (1) In sections 228A to 228G—
 

“lessee” does not include a person who is lessee by way of an assignment;

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the “net book value” of leased plant or machinery means the book value of the plant or machinery having regard to any relevant entry in the lessee’s accounts, but—

- (a) also having regard to depreciation up to the time in question, and
  - (b) disregarding any revaluation gains or losses and any impairments;
- “restricted disposal value” means the disposal value under section 222;

“termination” in relation to a leaseback includes (except in section 228E)—

- (a) the assignment of the lessee’s interest,
- (b) the making of any arrangements (apart from an assignment of the lessee’s interest) under which a person other than the lessee becomes liable to make some or all payments under the leaseback, and
- (c) a variation as a result of which the leaseback ceases to be a finance lease.

(2) In a case where accounts drawn up are not correct accounts, or no accounts are drawn up—

- (a) the provisions of sections 228A to 228G apply as if correct accounts had been drawn up, and
- (b) amounts referred to in any of those sections as shown in accounts are those that would have been shown in correct accounts.

(3) In a case where accounts are drawn up in reliance upon amounts derived from an earlier period of account for which correct accounts were not drawn up, or no accounts were drawn up, amounts referred to in sections 228A to 228G as shown in the accounts for the later period are those that would have been shown if correct accounts had been drawn up for the earlier period.

(4) In subsections (2) and (3) “correct accounts” means accounts drawn up in accordance with generally accepted accounting practice.

### **228J Plant or machinery subject to further operating lease**

(1) This section applies where—

- (a) plant or machinery is the subject of—
  - (i) a sale and finance leaseback, or
  - (ii) a lease and finance leaseback, and
- (b) some or all of the plant or machinery becomes, while the subject of the leaseback, also the subject of a lease in relation to which the following conditions are met—
  - (i) the term of the lease begins on or after 18 May 2004;
  - (ii) S, or a person connected with S, is the lessee under the lease;
  - (iii) the lease is not accounted for as a finance lease in the accounts of the lessee.

(2) For the purpose of income tax or corporation tax, in calculating the lessee’s income or profits for a period of account the amount deducted in respect of amounts payable under the operating lease shall not exceed the relevant amount.

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- (3) Subsections (4) and (5) apply in relation to the calculation of the lessor’s income or profits for a period of account for the purpose of income tax or corporation tax.
- (4) Where—
- (a) an amount receivable in respect of the lessor’s interest under the operating lease falls to be taken into account in that calculation, and
  - (b) that amount is reduced by an amount due to the lessee under the operating lease,
- that reduction shall be disregarded when taking the amount receivable into account.
- (5) The amounts receivable in respect of the lessor’s interest under the operating lease that fall to be taken into account in that calculation may be disregarded to the extent that they exceed the relevant amount (whether or not subsection (4) applies).
- (6) Where only some of the plant or machinery is the subject of the operating lease, subsections (2) to (5) shall apply subject to such apportionments as may be just and reasonable.
- (7) For the purposes of this section a lease is accounted for as a finance lease in a person’s accounts if—
- (a) the lease falls, under generally accepted accounting practice, to be treated in that person’s accounts as a finance lease or loan, or
  - (b) in a case where the lease is comprised in other arrangements, those arrangements fall, under generally accepted accounting practice, to be so treated.
- (8) In this section—
- “lease and finance leaseback” has the meaning given in section 228F;
- “lessee” means the lessee under the operating lease;
- “lessor” means the lessor under the operating lease;
- “operating lease” means the lease referred to in subsection (1)(b);
- “relevant amount” means an amount equal to the permitted maximum under section 228B as it applies in relation to the leaseback.”.
- (2) In sections 228A to 228J of the Capital Allowances Act 2001 (c. 2) (as inserted by subsection (1) above), a reference to a provision of that Act includes a reference to an equivalent provision of the Capital Allowances Act 1990 (c. 1) (with any necessary modification).
- (3) This section applies to income tax and corporation tax chargeable in relation to periods that end on or after 17 March 2004.
- (4) Schedule 23 contains transitional provision.



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### Textual Amendments

- F80** S. 135 omitted (with effect in accordance with Sch. 25 para. 10 of the amending Act) by virtue of Finance Act 2009 (c. 10), **Sch. 25 para. 9(3)(d)**

## 136 Manufactured dividends

Schedule 24 to this Act (which makes provision in relation to cases where payments are or have been made, or treated as made, which are representative of dividends on shares of companies resident in the United Kingdom) has effect.

## 137 Manufactured payments under arrangements having an unallowable purpose

- F81**(1) .....
- F82**(2) .....
- F83**(3) .....
- F83**(4) .....
- F83**(5) .....
- F83**(6) .....
- F83**(7) .....

### Textual Amendments

- F81** S. 137(1) repealed (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 3 Pt. 1** (with Sch. 2)
- F82** S. 137(2) repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)
- F83** S. 137(3)-(7) repealed (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 3 Pt. 1** (with Sch. 2)

## <sup>F84</sup>138 Gilt strips

.....

### Textual Amendments

- F84** S. 138 repealed (6.4.2005) by Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), **Sch. 3** (with Sch. 2)

## <sup>F85</sup>139 Gifts of shares, securities and real property to charities etc

.....

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**Textual Amendments**

**F85** S. 139 repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 3 Pt. 1** (with Sch. 2)

**<sup>F86</sup>140 Life policies etc.: restriction of corresponding deficiency relief**

.....

**Textual Amendments**

**F86** S. 140 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), **Sch. 3** (with Sch. 2)

**CHAPTER 11**

MISCELLANEOUS

*Reliefs for business*

**<sup>F87</sup>141 Relief for research and development: software and consumable items**

.....

**Textual Amendments**

**F87** S. 141 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

**<sup>F88</sup>142 Temporary increase in amount of first-year allowances for small enterprises**

.....

**Textual Amendments**

**F88** S. 142 omitted (21.7.2008) by virtue of [Finance Act 2008 \(c. 9\)](#), s. 75(4)(a)

**<sup>F89</sup>143 Deduction for expenditure by landlords on energy-saving items**

.....

**Textual Amendments**

**F89** S. 143 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), **Sch. 3** (with Sch. 2)

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**144 Lloyd’s names: conversion to limited liability underwriting**

Schedule 25 to this Act (which makes provision for certain reliefs to be available where a member of Lloyd’s converts to limited liability underwriting) has effect.

*Offshore matters*

**145 Offshore funds**

- (1) The provisions of the Taxes Act 1988 relating to offshore funds are amended in accordance with Schedule 26 to this Act.
- (2) Except as otherwise provided—
  - (a) the amendments have effect for account periods (within the meaning of Chapter 5 of Part 17 of that Act) ending on or after the day on which this Act is passed, and
  - (b) regulations made under a power conferred by virtue of any of the amendments may be made so as to have effect in relation to any such account period.

**146 Meaning of “offshore installation”**

Schedule 27 to this Act (which makes amendments relating to the meaning of “offshore installation”) has effect.

*Health*

**147 Immediate needs annuities**

- F90 (1) .....
- F90 (2) .....
- F91 (3) .....
- F92 (4) .....
- F93 (5) .....
- F93 (6) .....

**Textual Amendments**

- F90** S. 147(1)(2) repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 2\(7\)](#)
- F91** S. 147(3) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))
- F92** S. 147(4) repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 2\(7\)](#)
- F93** S. 147(5)(6) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

<sup>F94</sup>**148 Corporation tax: health service bodies**

.....

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### Textual Amendments

- F94** S. 148 repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 3 Pt. 1** (with Sch. 2)

## PART 4

### PENSION SCHEMES ETC

#### Modifications etc. (not altering text)

- C2** Pt. 4 modified (N.I.) (1.4.2006) by [The Firemens Pension Scheme Order \(Northern Ireland\) 2006 \(S.R. 2006/210\)](#), arts. 1(2), **103**
- C3** Pt. 4 modified (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **9**, **10**
- C4** Pt. 4 modified (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **12**
- C5** Pt. 4 modified (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **13(5)**
- C6** Pt. 4 modified (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **26**
- C7** Pt. 4 modified (31.12.2007) by [Police and Justice Act 2006 \(c. 48\)](#), s. 53(1), **Sch. 3 para. 7**; S.I. 2007/3203, art. 3(b)
- C8** Pt. 4 modified (1.7.2008) (N.I.) (with effect in accordance with reg. 1 of the amending Rule) by [The Health and Social Care \(Pension Scheme\) Regulations \(Northern Ireland\) 2008 \(S.R. 2008/256\)](#), regs. 1, **124(1)** (with regs. 134, 258)
- C9** Pt. 4 modified by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), **reg. 5A** (as inserted (6.4.2006) by S.I. 2008/2990, arts. 1(1), 3)
- C10** Pt. 4 applied (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), **Sch. 35 para. 18**
- C11** Pt. 4 modified (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), **Sch. 18 para. 14(3)**
- C12** Pt. 4 applied (with modifications) (with application in accordance with Sch. 22 para. 1 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), **Sch. 22 para. 1(2)**
- C13** Pt. 4 modified (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), Sch. 6 para. 1(2)(3)
- C14** Pt. 4: power to amend conferred (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), s. 4(3)
- C15** Pt. 4 modified (15.9.2016) by [Finance Act 2016 \(c. 24\)](#), **Sch. 4 para. 1**
- C16** Pt. 4 modified (15.9.2016) by [Finance Act 2016 \(c. 24\)](#), **Sch. 4 para. 9(2)**

## CHAPTER 1

### INTRODUCTION

#### *Introductory*

#### **149 Overview of Part 4**

- (1) This Part contains tax provision about pension schemes and other similar schemes.
- (2) This Chapter defines some basic concepts.

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(3) As for the rest of this Part—

Chapter 2 is about the registration and de-registration of pension schemes,  
Chapter 3 is about the payments that may be made by registered pension schemes and related matters,  
Chapter 4 deals with tax reliefs and exemptions in connection with registered pension schemes,  
Chapter 5 imposes tax charges in connection with registered pension schemes,  
Chapter 6 is about some schemes that are not registered pension schemes,  
Chapter 7 makes provision about compliance, and  
Chapter 8 contains interpretation and other supplementary provisions.

*Main concepts*

**150 Meaning of “pension scheme”**

- (1) In this Part “pension scheme” means a scheme or other arrangements, comprised in one or more instruments or agreements, having or capable of having effect so as to provide benefits to or in respect of persons—
- (a) on retirement,
  - (b) on death,
  - (c) on having reached a particular age,
  - (d) on the onset of serious ill-health or incapacity, or
  - (e) in similar circumstances.
- (2) A pension scheme is a registered pension scheme for the purposes of this Part at any time if it is at that time registered under Chapter 2.
- (3) In this Part “public service pension scheme” means a pension scheme—
- (a) established by or under any enactment,
  - (b) approved by a relevant governmental or Parliamentary person or body, or
  - (c) specified in an order made by the Treasury.
- (4) In subsection (3) “a relevant governmental or Parliamentary person or body” means—
- (a) a Minister of the Crown or a government department,
  - (b) the Scottish Parliament, the Scottish Parliamentary Corporate Body or a member of the Scottish Executive,
  - (c) the National Assembly for Wales<sup>F95</sup>, the National Assembly for Wales Commission or the Welsh Ministers], or
  - (d) the Northern Ireland Assembly, the Northern Ireland Assembly Commission, a Northern Ireland Minister, the head of a Northern Ireland department or a Northern Ireland department.
- (5) In this Part “occupational pension scheme” means a pension scheme established by an employer or employers and having or capable of having effect so as to provide benefits to or in respect of any or all of the employees of—
- (a) that employer or those employers, or
  - (b) any other employer,
- (whether or not it also has or is capable of having effect so as to provide benefits to or in respect of other persons).

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- [<sup>F96</sup>(5A) This Part applies in relation to certain pension schemes that are not occupational pension schemes as it applies in relation to occupational pension schemes (see section 274B and paragraph 1(4A) of Schedule 36).]
- (6) In this Part “sponsoring employer”, in relation to an occupational pension scheme, means the employer, or any of the employers, to or in respect of any or all of whose employees the pension scheme has, or is capable of having, effect so as to provide benefits.
- (7) In this Part “overseas pension scheme” means a pension scheme (other than a registered pension scheme) which—
- (a) is established in a country or territory outside the United Kingdom, and
  - (b) satisfies any requirements prescribed for the purposes of this subsection by regulations made by the Board of Inland Revenue.
- (8) In this Part “recognised overseas pension scheme” means an overseas pension scheme [<sup>F97</sup>which satisfies any requirements prescribed for the purposes of this subsection by regulations made by the Commissioners for Her Majesty's Revenue and Customs.]

#### Textual Amendments

- F95** Words in s. 150(4)(c) inserted (25.5.2007) by [The Government of Wales Act 2006 \(Consequential Modifications and Transitional Provisions\) Order 2007 \(S.I. 2007/1388\)](#), art. 1(2), **Sch. 1 para. 108**
- F96** [S. 150\(5A\)](#) inserted (15.3.2018) by [Finance Act 2018 \(c. 3\)](#), **Sch. 3 paras. 1(2), 2(3)**
- F97** Words in s. 150(8) substituted (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), **s. 53(1)**

## 151 Meaning of “member”

- (1) In this Part “member” in relation to a pension scheme, means any active member, pensioner member, deferred member or pension credit member of the pension scheme.
- (2) For the purposes of this Part a person is an active member of a pension scheme if there are presently arrangements made under the pension scheme for the accrual of benefits to or in respect of the person.
- (3) For the purposes of this Part a person is a pensioner member of a pension scheme if the person is entitled to the present payment of benefits under the pension scheme and is not an active member.
- (4) A person is a deferred member of a pension scheme if the person has accrued rights under the pension scheme and is neither an active member nor a pensioner member.
- (5) A person is a pension credit member of a pension scheme if the person has rights under the pension scheme which are attributable (directly or indirectly) to pension credits [<sup>F98</sup>; and, if a person dies having become entitled to pension credits but without having rights attributable to them, the person is to be treated as having acquired, immediately before death, the rights by virtue of which the liability in respect of the pension credits is subsequently discharged].

#### Textual Amendments

- F98** Words in s. 151(5) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 2**

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**Modifications etc. (not altering text)**

**C17** S. 151 applied (with modifications) (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, 5

**152 Meaning of “arrangement”**

- (1) In this Part “arrangement”, in relation to a member of a pension scheme, means an arrangement relating to the member under the pension scheme.
- (2) For the purposes of this Part an arrangement is a “money purchase arrangement” at any time if, at that time, all the benefits that may be provided to or in respect of the member under the arrangement are cash balance benefits or other money purchase benefits.
- (3) For the purposes of this Part a money purchase arrangement is a “cash balance arrangement” at any time if, at that time, all the benefits that may be provided to or in respect of the member under the arrangement are cash balance benefits.
- (4) In this Part “money purchase benefits”, in relation to a member of a pension scheme, means benefits the rate or amount of which is calculated by reference to an amount available for the provision of benefits to or in respect of the member (whether the amount so available is calculated by reference to payments made under the pension scheme by the member or any other person in respect of the member or any other factor).
- (5) In this Part “cash balance benefits” means benefits the rate or amount of which is calculated by reference to an amount available for the provision of benefits to or in respect of the member calculated otherwise than wholly by reference to payments made under the arrangement by the member or by any other person in respect of the member (or transfers or other credits).
- (6) For the purposes of this Part an arrangement is a “defined benefits arrangement” at any time if, at that time, all the benefits that may be provided to or in respect of the member under the arrangement are defined benefits.
- (7) In this Part “defined benefits”, in relation to a member of a pension scheme, means benefits which are not money purchase benefits (but which are calculated by reference to earnings or service of the member or any other factor other than an amount available for their provision).
- (8) For the purposes of this Part an arrangement is a “hybrid arrangement” at any time if, at that time, all of the benefits that may be provided to or in respect of the member under the arrangement are, depending on the circumstances, to be of one of any two or three of the following varieties—
  - (a) cash balance benefits,
  - (b) other money purchase benefits, and
  - (c) defined benefits.
- (9) Where not all of the benefits that may be provided under an arrangement to or in respect of the member are of the same one of those varieties of benefits, the arrangement is to be treated for the purposes of this Part as being two or three separate arrangements one of which relates to each of the two or three varieties of benefits that may be so provided.

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**Modifications etc. (not altering text)**

- C18** S. 152 applied (with modifications) (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, 6

## CHAPTER 2

### REGISTRATION OF PENSION SCHEMES

**Modifications etc. (not altering text)**

- C19** Pt. 4 Ch. 2 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, 7

### *Registration*

#### **153 Registration of pension schemes**

- (1) An application may be made to the Inland Revenue for a pension scheme to be registered.
- (2) The application—
  - (a) must contain any information which is reasonably required by the Inland Revenue in any form specified by the Board of Inland Revenue, and
  - (b) must be accompanied by a declaration that the application is made by the scheme administrator (see section 270) and any other declarations by the scheme administrator which are reasonably required by the Inland Revenue.
- (3) The declarations which the Inland Revenue may require to accompany an application for the registration of a pension scheme include, in particular, a declaration that the instruments or agreements by which it is constituted do not entitle any person to unauthorised payments (see section 160(5)).
- (4) <sup>F99</sup>Following receipt of an application for a pension scheme to be registered the Inland Revenue must decide whether or not to register the pension scheme.
- (5) The Inland Revenue's decision must be to register the pension scheme unless it appears that—
  - <sup>F100</sup>(a) any information falling within subsection (5A) is inaccurate in a material respect,
  - (b) any document falling within subsection (5B) contains a material inaccuracy,
  - (c) any declaration accompanying the application is false,
  - (d) the scheme administrator has failed to comply with an information notice under section 153A given in connection with the application (including any declaration accompanying it),
  - (e) the scheme administrator has deliberately obstructed an officer of Revenue and Customs in the course of an inspection under section 153B carried out in connection with the application (including any declaration accompanying it) where the inspection has been approved by the tribunal,



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- (f) the pension scheme has not been established, or is not being maintained, wholly or mainly for the purpose of making payments falling within section 164(1)(a) or (b) (authorised payments of pensions and lump sums), or
  - (g) the person who is, or any of the persons who are, the scheme administrator is not a fit and proper person to be, as the case may be—
    - (i) the scheme administrator, or
    - (ii) one of the persons who are the scheme administrator<sup>[F101]</sup>, or
  - (h) the pension scheme is an occupational pension scheme, and a sponsoring employer in relation to the scheme is a body corporate that has been dormant during a continuous period of one month that falls within the period of one year ending with the day on which the decision is made, or
  - (i) the pension scheme is an unauthorised Master Trust scheme.]
- <sup>[F102]</sup>(5A) The information falling within this subsection is any information—
- (a) contained in the application, or
  - (b) otherwise provided to an officer of Revenue and Customs by the scheme administrator (whether under section 153A or otherwise) in connection with the application (including any declaration accompanying it).
- (5B) The documents falling within this subsection are any documents produced to an officer of Revenue and Customs by the scheme administrator (whether under section 153A or otherwise) in connection with the application (including any declaration accompanying it).
- (5C) The reference in subsection (5)(d) to the scheme administrator having failed to comply with an information notice under section 153A includes a case where the scheme administrator has concealed, destroyed or otherwise disposed of, or has arranged for the concealment, destruction or disposal of, a document in breach of paragraph 42 or 43 of Schedule 36 to the Finance Act 2008 as applied by section 153A(3).]
- (6) The Inland Revenue must notify the scheme administrator of the decision on the application.
  - (7) Unless the Inland Revenue's decision is not to register the pension scheme, the notification must state the day on and after which the pension scheme will be a registered pension scheme.
  - (8) An annuity contract <sup>[F103]</sup>made with an insurance company]—
    - (a) by means of which benefits under a registered pension scheme have been secured, but
    - (b) which does not provide for the immediate payment of benefits,is to be treated as having become a registered pension scheme on the day on which it is made.
- <sup>[F104]</sup>(8A) Where an order has been made under section 19(4) or 21(2)(a) of the Pensions Act 2004 or Article 15(4) or 17(2)(a) of the Pensions (Northern Ireland) Order 2005 (restitution by order of court or Pensions Regulator) that property or money be transferred, or a sum be paid, towards an annuity contract made with an insurance company, the annuity contract is to be treated as having become a registered pension scheme on the day on which it is made.]
- (9) Schedule 36 contains (in Part 1) provisions treating certain pension schemes in existence immediately before 6th April 2006 as registered pension schemes (and related provisions).

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#### Textual Amendments

- F99** Word in s. 153(4) substituted (with effect in accordance with Sch. 7 para. 5(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 2\(2\), 5\(1\)](#)
- F100** S. 153(5)(a)-(g) substituted for s. 153(5)(a) (with effect in accordance with Sch. 7 para. 5 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 2\(3\), 5\(1\)](#)
- F101** S. 153(5)(h)(i) and word inserted (15.3.2018 for specified purposes, 6.4.2018 in so far as not already in force) by [Finance Act 2018 \(c. 3\)](#), [Sch. 3 paras. 1\(3\), 2\(1\)\(a\)\(2\)\(a\)\(3\)](#)
- F102** S. 153(5A)-(5C) inserted (with effect in accordance with Sch. 7 para. 5(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 2\(4\), 5\(1\)](#)
- F103** Words in s. 153(8) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 2, 64\(1\)](#)
- F104** S. 153(8A) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 3, 64\(1\)](#)

### [<sup>F105</sup>153A] **Power to require information or documents in relation to applications for registration**

- (1) This section applies where an application for a pension scheme to be registered is made.
- (2) An officer of Revenue and Customs may by notice (an “information notice”) require the scheme administrator or any other person—
  - (a) to provide the officer with any information, or
  - (b) to produce a document to the officer,
 if the officer reasonably requires the information or document in connection with the application (including any declaration accompanying it).
- (3) Paragraphs 6(2), 7, 8, 15, 16, 18 to 20, 23 to 27, 42 and 43 of Schedule 36 to the Finance Act 2008 (information notices etc) apply in relation to information notices under this section as they apply in relation to information notices under that Schedule.
- (4) Where an information notice under this section is given to a person other than the scheme administrator, an officer of Revenue and Customs must give a copy of the notice to the scheme administrator.
- (5) A person, other than the scheme administrator, who is given an information notice under this section may appeal against the notice or any requirement in the notice.
- (6) Paragraph 32 of Schedule 36 to the Finance Act 2008 (procedures for appeals against information notices) applies for the purposes of an appeal under subsection (5) as it applies for the purposes of an appeal under Part 5 of that Schedule.

#### Textual Amendments

- F105** Ss. 153A-153F inserted (with effect in accordance with Sch. 7 para. 5(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 3, 5\(1\)](#)

### **153B Power to inspect documents in relation to applications for registration**

- (1) This section applies where an application for a pension scheme to be registered is made.
- (2) An officer of Revenue and Customs may—

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- (a) enter any business premises of the scheme administrator or any other person, and
  - (b) inspect documents that are on the premises,if the officer reasonably requires to inspect the documents in connection with the application (including any declaration accompanying it).
- (3) In subsection (2)(a) “business premises” has the meaning given by paragraph 10(3) of Schedule 36 to the Finance Act 2008 (power to inspect business premises etc).
- (4) Paragraphs 10(2), 12, 15 and 16 of Schedule 36 to the Finance Act 2008 apply in relation to the power of inspection conferred by this section as they apply in relation to the power of inspection conferred by paragraph 10 of that Schedule.
- (5) An officer of Revenue and Customs may not inspect a document under this section if or to the extent that, by virtue of a provision of Part 4 of Schedule 36 to the Finance Act 2008 (restrictions on powers) applied by section 153A(3), an information notice under section 153A given at the time of the inspection to the occupier of the premises could not require the occupier to produce the document.
- (6) An officer of Revenue and Customs may ask the tribunal to approve an inspection under this section.
- (7) Paragraph 13(1A), (2) and (3) of Schedule 36 to the Finance Act 2008 (approval of tribunal for inspections) applies in relation to an application under subsection (6) as it applies in relation to an application under paragraph 13 of that Schedule in relation to an inspection under paragraph 10 of that Schedule.

#### **Textual Amendments**

**F105** Ss. 153A-153F inserted (with effect in accordance with Sch. 7 para. 5(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 3, 5\(1\)](#)

### **153C Penalties for failure to comply with information notices etc**

- (1) This section applies where a person other than the scheme administrator—
  - (a) fails to comply with an information notice under section 153A, or
  - (b) deliberately obstructs an officer of Revenue and Customs in the course of an inspection under section 153B that has been approved by the tribunal.
- (2) The reference in subsection (1)(a) to a person who fails to comply with an information notice includes a person who conceals, destroys or otherwise disposes of, or arranges for the concealment, destruction or disposal of, a document in breach of paragraph 42 or 43 of Schedule 36 to the Finance Act 2008 as applied by section 153A(3).
- (3) Paragraphs 39(2), 40 and 44 to 49 of Schedule 36 to the Finance Act 2008 (penalties for failure to comply with information notice etc) apply in relation to the failure or obstruction as they apply in relation to a failure or obstruction mentioned in paragraph 39(1) of that Schedule.

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### Textual Amendments

**F105** Ss. 153A-153F inserted (with effect in accordance with Sch. 7 para. 5(1) of the amending Act) by Finance Act 2014 (c. 26), **Sch. 7 paras. 3, 5(1)**

## 153D Penalties for inaccurate information in applications

- (1) This section applies where—
  - (a) an application under section 153 contains information which is inaccurate,
  - (b) the inaccuracy is material, and
  - (c) condition A, B or C is met.
- (2) Condition A is that the inaccuracy is careless or deliberate.
- (3) An inaccuracy is careless if it is due to a failure by the scheme administrator to take reasonable care.
- (4) Condition B is that the scheme administrator knows of the inaccuracy at the time the application is made but does not inform an officer of Revenue and Customs at that time.
- (5) Condition C is that the scheme administrator—
  - (a) discovers the inaccuracy some time later, and
  - (b) fails to take reasonable steps to inform an officer of Revenue and Customs.
- (6) The scheme administrator is liable to a penalty not exceeding the maximum penalty for which the scheme administrator could have been liable under paragraph 40A of Schedule 36 to the Finance Act 2008 (penalties for inaccurate information and documents) had that paragraph applied in relation to the inaccuracy.
- (7) Where the information contains more than one material inaccuracy, a penalty is payable for each inaccuracy.
- (8) Paragraphs 46 to 49 of Schedule 36 to the Finance Act 2008 (assessment of penalties etc) apply in relation to a penalty under this section as they apply in relation to a penalty under paragraph 40A of that Schedule.

### Textual Amendments

**F105** Ss. 153A-153F inserted (with effect in accordance with Sch. 7 para. 5(1) of the amending Act) by Finance Act 2014 (c. 26), **Sch. 7 paras. 3, 5(1)**

## 153E Penalties for inaccurate information or documents provided under information notice

- (1) This section applies where—
  - (a) in complying with an information notice under section 153A, a person provides inaccurate information or produces a document that contains an inaccuracy, and
  - (b) the inaccuracy is material.

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- (2) Paragraphs 40A and 46 to 49 of Schedule 36 to the Finance Act 2008 (penalties for inaccurate information and documents) apply in relation to the inaccuracy as they apply in relation to an inaccuracy connected with an information notice under that Schedule.

**Textual Amendments**

**F105** Ss. 153A-153F inserted (with effect in accordance with Sch. 7 para. 5(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 3, 5\(1\)](#)

**153F Penalties for false declarations**

- (1) This section applies where—
- (a) a declaration accompanying an application under section 153 is false, and
  - (b) at least one of conditions A to C in section 153D is met (reading references to an inaccuracy as references to a falsehood and references to the scheme administrator as references to the person who made the declaration).
- (2) The person who made the declaration is liable to a penalty not exceeding the maximum penalty for which the person could have been liable under paragraph 40A of Schedule 36 to the Finance Act 2008 (penalties for inaccurate information and documents) had that paragraph applied in relation to the falsehood.
- (3) Where the declaration contains more than one falsehood, a penalty is payable in relation to each falsehood.
- (4) Paragraphs 46 to 49 of Schedule 36 to the Finance Act 2008 (assessment of penalties etc) apply in relation to a penalty under this section as they apply in relation to a penalty under paragraph 40A of that Schedule.]

**Textual Amendments**

**F105** Ss. 153A-153F inserted (with effect in accordance with Sch. 7 para. 5(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 3, 5\(1\)](#)

**154 Persons by whom registered pension scheme may be established**

- [<sup>F106</sup>(1) An application to register a pension scheme may be made only if the pension scheme—
- (a) is an occupational pension scheme, or
  - (b) has been established by a person with permission under FISMA 2000 to establish in the United Kingdom a personal pension scheme or a stakeholder pension scheme.]

(2) But subsection (1) does not apply to a public service pension scheme.

[<sup>F107</sup>(2A) Subsection (1) is to be construed in accordance with section 22 of FISMA 2000, any relevant order under that section and Schedule 2 to that Act.]

<sup>F108</sup>(3) .....

(4) The Treasury may by order amend this section <sup>F109</sup>....

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**Textual Amendments**

- F106** S. 154(1) substituted (retrospective to 6.4.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 2\(2\)](#), [24\(1\)](#)
- F107** S. 154(2A) inserted (retrospective to 6.4.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 2\(3\)](#), [24\(1\)](#)
- F108** S. 154(3) repealed (retrospective to 6.4.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 2\(4\)](#), [24\(1\)](#), [Sch. 27 Pt. 3\(2\)](#)
- F109** Words in s. 154(4) repealed (retrospective to 6.4.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 2\(5\)](#), [24\(1\)](#), [Sch. 27 Pt. 3\(2\)](#)

**<sup>F110</sup>155 Persons by whom scheme may be established: supplementary**

.....

**Textual Amendments**

- F110** S. 155 repealed (retrospective to 6.4.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 324\(1\)](#), [Sch. 27 Pt. 3\(2\)](#)

**156 Appeal against decision not to register**

- (1) This section applies where, on an application for a pension scheme to be registered, the Inland Revenue’s decision is not to register the pension scheme.
- (2) The scheme administrator may appeal against the decision.
- <sup>F111</sup>(3) .....
- <sup>F111</sup>(4) .....
- (5) An appeal under this section against a decision must be brought within the period of 30 days beginning with the day on which the scheme administrator was notified of the decision.
- (6) [<sup>F112</sup>On an appeal under this section that is notified to the tribunal, the tribunal] must consider whether the pension scheme ought to have been registered by the Inland Revenue.
- (7) If [<sup>F113</sup>the tribunal decides] that the pension scheme ought not to have been registered by the Inland Revenue, [<sup>F114</sup>the tribunal must] dismiss the appeal.
- (8) If [<sup>F115</sup>the tribunal decides] that the pension scheme ought to have been registered by the Inland Revenue, the pension scheme is to be treated as having been registered on such date as the [<sup>F116</sup>tribunal determines] (but subject to any further appeal<sup>F117</sup>...).

**Textual Amendments**

- F111** S. 156(3)(4) omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), [art. 1\(2\)](#), [Sch. 1 para. 423\(2\)](#)
- F112** Words in s. 156(6) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), [art. 1\(2\)](#), [Sch. 1 para. 423\(3\)](#)

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- F113** Words in s. 156(7) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 423(4)(a)**
- F114** Words in s. 156(7) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 423(4)(b)**
- F115** Words in s. 156(8) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 423(5)(a)**
- F116** Words in s. 156(8) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 423(5)(b)**
- F117** Words in s. 156(8) omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 423(5)(c)**

### [<sup>F118</sup>156A] **Cases where application for registration not decided within 6 months**

- (1) This section applies where—
  - (a) an application for a pension scheme to be registered is made, but
  - (b) the scheme administrator is not notified under section 153(6) within the period of 6 months after the day on which the application is made.
- (2) The scheme administrator may appeal to the tribunal as if, at the end of that period of 6 months, the scheme administrator had been notified under section 153(6) of a decision not to register the scheme; and section 156(5) to (8) applies accordingly.]

#### **Textual Amendments**

- F118** S. 156A inserted (with effect in accordance with Sch. 7 para. 5(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), **Sch. 7 paras. 4, 5(1)**

### *De-registration*

#### **157 De-registration**

- (1) The Inland Revenue may withdraw the registration of a pension scheme.
- (2) If the Inland Revenue withdraws the registration of a pension scheme the Inland Revenue must notify the scheme administrator.
- (3) If there is no-one who is the scheme administrator, the Inland Revenue must instead notify any person or persons—
  - (a) who has or have responsibility for the discharge of any obligation relating to the pension scheme under section 271(4) (continuation of liability where no scheme administrator), section 272 (trustees etc.) or section 273 (members), and
  - (b) whom it is reasonably practicable for the Inland Revenue to identify.
- (4) The notification must state the date on and after which the pension scheme will not be a registered pension scheme.

#### **158 Grounds for de-registration**

- (1) The registration of a pension scheme may be withdrawn under section 157 only if it appears to the Inland Revenue—

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- [<sup>F119</sup>(za) that the pension scheme has not been established, or is not being maintained, wholly or mainly for the purpose of making payments falling within section 164(1)(a) or (b) (authorised payments of pensions and lump sums),]
  - [<sup>F120</sup>(zb) that the person who is, or any of the persons who are, the scheme administrator is not a fit and proper person to be, as the case may be—
    - (i) the scheme administrator, or
    - (ii) one of the persons who are the scheme administrator,]
  - (a) that the amount of the scheme chargeable payments (see section 241) made by the pension scheme during any period of 12 months exceeds the de-registration threshold,
  - (b) that the scheme administrator fails to pay a substantial amount of tax (or interest on tax) due from the scheme administrator by virtue of this Part,
  - (c) that the scheme administrator fails to provide information required to be provided to the Inland Revenue by virtue of this Part [<sup>F121</sup>or Part 1 of Schedule 36 to the Finance Act 2008] and the failure is significant,
  - (d) that any information contained in the application to register the pension scheme or otherwise provided to the Inland Revenue is [<sup>F122</sup>inaccurate] in a material particular,
  - [<sup>F123</sup>(da) that the scheme administrator fails to produce any document required to be produced to an officer of Revenue and Customs by virtue of this Part or Part 1 of Schedule 36 to the Finance Act 2008,
  - (db) that any document produced to an officer of Revenue and Customs by the scheme administrator contains a material inaccuracy in relation to which at least one of conditions A to C in subsections (7) to (10) is met,]
  - [<sup>F124</sup>(e) that any declaration accompanying the application to register the pension scheme, or otherwise made to an officer of Revenue and Customs in connection with the pension scheme, is false in a material particular,
  - (ea) that the scheme administrator has deliberately obstructed an officer of Revenue and Customs in the course of an inspection under [<sup>F125</sup>section 159B or] Part 2 of Schedule 36 to the Finance Act 2008 that has been approved by the tribunal, or]
  - (f) that there is no scheme administrator [<sup>F126</sup>, or
  - (g) that the pension scheme is an occupational pension scheme, and a sponsoring employer in relation to the scheme is a body corporate that has been dormant during a continuous period of one month that falls within the period of one year ending with the day on which the decision to withdraw registration is made, or
  - (h) that the scheme is an unauthorised Master Trust scheme.]
- (2) The amount of the scheme chargeable payments made by a pension scheme during any period of 12 months exceeds the de-registration threshold if the scheme chargeable payments percentage is 25% or more.
- (3) The scheme chargeable payments percentage is—
- (a) if only one scheme chargeable payment is made during the period of 12 months, the percentage of the pension fund used up on the occasion of that scheme chargeable payment, and
  - (b) if two or more scheme chargeable payments are made during the period of 12 months, the aggregate of the percentages of the pension fund used up on the occasion of each of those scheme chargeable payments.



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- (4) The percentage of the pension fund used up on the occasion of a scheme chargeable payment is—

$$\frac{\text{SCP}}{\text{AA}} \times 100$$

where—

SCP is the amount of the scheme chargeable payment, and

AA is an amount equal to the aggregate of the amount of the sums and the market value of the assets held for the purposes of the pension scheme at the time when the scheme chargeable payment is made.

- (5) A failure by a scheme administrator to provide information required to be provided to the Inland Revenue by or under this Part [<sup>F127</sup>or Part 1 of Schedule 36 to the Finance Act 2008] is significant if—
- the amount of information which the scheme administrator fails to provide is substantial, or
  - the failure to provide the information is likely to result in serious prejudice to the assessment or collection of tax.

[<sup>F128</sup>(6) Subsections (7) to (10) apply for the purposes of subsection (1)(db).

- (7) Condition A is that the inaccuracy is careless or deliberate.
- (8) An inaccuracy is careless if it is due to a failure by the scheme administrator to take reasonable care.
- (9) Condition B is that the scheme administrator knows of the inaccuracy at the time the document is produced to an officer of Revenue and Customs but does not inform such an officer at that time.
- (10) Condition C is that the scheme administrator—
- discovers the inaccuracy some time later, and
  - fails to take reasonable steps to inform an officer of Revenue and Customs.]

#### Textual Amendments

- F119** S. 158(1)(za) inserted (with effect in accordance with Sch. 7 para. 8(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 6\(2\)\(a\)](#), 8(2)
- F120** S. 158(1)(zb) inserted (1.9.2014) (with effect in accordance with Sch. 7 para. 8(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 6\(3\)\(a\)](#), 8(3)
- F121** Words in s. 158(1)(c) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Pension Schemes \(Miscellaneous Amendments\) Order 2013 \(S.I. 2013/1114\)](#), [arts. 1\(1\)](#), [2\(2\)](#)
- F122** Word in s. 158(1)(d) substituted (with effect in accordance with Sch. 7 para. 8(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 6\(2\)\(b\)](#), 8(2)
- F123** S. 158(1)(da)(db) inserted (with effect in accordance with Sch. 7 para. 8(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 6\(2\)\(c\)](#), 8(2)
- F124** S. 158(1)(e)(ea) substituted for s. 158(1)(e) (with effect in accordance with Sch. 7 para. 8(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 6\(2\)\(d\)](#), 8(2)

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- F125** Words in s. 158(1)(ea) inserted (1.9.2014) (with effect in accordance with Sch. 7 para. 8(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 6\(3\)\(b\)](#), 8(3)
- F126** S. 158(1)(g)(h) and word inserted (15.3.2018 for specified purposes, 6.4.2018 in so far as not already in force) by [Finance Act 2018 \(c. 3\)](#), [Sch. 3 paras. 1\(4\)](#), 2(1)(b)(2)(b)(3)
- F127** Words in s. 158(5) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Pension Schemes \(Miscellaneous Amendments\) Order 2013 \(S.I. 2013/1114\)](#), arts. 1(1), 2(3)
- F128** S. 158(6)-(10) inserted (with effect in accordance with Sch. 7 para. 8(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 6\(4\)](#), 8(2)

## 159 Appeal against decision to de-register

- (1) This section applies where the Inland Revenue decides to withdraw the registration of a pension scheme under section 157.
- (2) The scheme administrator, or any person notified under that section of the withdrawal of registration, may appeal against the decision.
- <sup>F129</sup>(3) .....
- <sup>F129</sup>(4) .....
- (5) An appeal under this section against a decision must be brought within the period of 30 days beginning with the day on which the appellant was notified of the decision.
- (6) [<sup>F130</sup>On an appeal that is notified to the tribunal, the tribunal] must consider whether the registration of the pension scheme ought to have been withdrawn.
- (7) If [<sup>F131</sup>the tribunal decides] that the registration of the pension scheme ought to have been withdrawn, [<sup>F132</sup>the tribunal must] dismiss the appeal.
- (8) If [<sup>F133</sup>the tribunal decides] that the registration of the pension scheme ought not to have been withdrawn, the pension scheme is to be treated as having remained a registered pension scheme (but subject to any further appeal <sup>F134</sup>...).

### Textual Amendments

- F129** S. 159(3)(4) omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 424\(2\)](#)
- F130** Words in s. 159(6) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 424\(3\)](#)
- F131** Words in s. 159(7) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 424\(4\)\(a\)](#)
- F132** Words in s. 159(7) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 424\(4\)\(b\)](#)
- F133** Words in s. 159(8) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 424\(5\)\(a\)](#)
- F134** Words in s. 159(8) omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 424\(5\)\(b\)](#)

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**[<sup>F135</sup>159A] Power to require information or documents for purpose of considering if scheme administrator is fit and proper**

- (1) An officer of Revenue and Customs may by notice (an “information notice”) require the scheme administrator of a registered pension scheme or any other person—
  - (a) to provide the officer with any information, or
  - (b) to produce a document to the officer,if the officer reasonably requires the information or document for the purpose of considering whether the person who is, or any of the persons who are, the scheme administrator is a fit and proper person to be the scheme administrator or one of those persons (as the case may be).
- (2) Paragraphs 6(2), 7, 8, 15, 16, 18 to 20, 23 to 27, 42 and 43 of Schedule 36 to the Finance Act 2008 (information notices etc) apply in relation to information notices under this section as they apply in relation to information notices under that Schedule.
- (3) Where an information notice under this section is given to a person other than the scheme administrator, an officer of Revenue and Customs must give a copy of the notice to the scheme administrator.
- (4) A person who is given an information notice under this section may appeal against the notice or any requirement in the notice.
- (5) Paragraph 32 of Schedule 36 to the Finance Act 2008 (procedures for appeals against information notices) applies for the purposes of an appeal under subsection (4) as it applies for the purposes of an appeal under Part 5 of that Schedule.

**Textual Amendments**

**F135** Ss. 159A-159D inserted (1.9.2014) (with effect in accordance with Sch. 7 para. 8(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 7, 8\(3\)](#)

**159B Power to inspect documents for purpose of considering if scheme administrator is fit and proper**

- (1) An officer of Revenue and Customs may—
  - (a) enter any business premises of the scheme administrator of a registered pension scheme or of any other person, and
  - (b) inspect documents that are on the premises,if the officer reasonably requires to inspect the documents for the purpose of considering whether the person who is, or any of the persons who are, the scheme administrator is a fit and proper person to be the scheme administrator or one of those persons (as the case may be).
- (2) In subsection (1)(a) “business premises” has the meaning given by paragraph 10(3) of Schedule 36 to the Finance Act 2008 (power to inspect business premises etc).
- (3) Paragraphs 10(2), 12, 15 and 16 of Schedule 36 to the Finance Act 2008 apply in relation to the power of inspection conferred by this section as they apply in relation to the power of inspection conferred by paragraph 10 of that Schedule.
- (4) An officer of Revenue and Customs may not inspect a document under this section if or to the extent that, by virtue of a provision of Part 4 of Schedule 36 to the Finance

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Act 2008 (restrictions on powers) applied by section 159A(2), an information notice under section 159A given at the time of the inspection to the occupier of the premises could not require the occupier to produce the document.

- (5) An officer of Revenue and Customs may ask the tribunal to approve an inspection under this section.
- (6) Paragraph 13(1A), (2) and (3) of Schedule 36 to the Finance Act 2008 (approval of tribunal for inspections) applies in relation to an application under subsection (5) as it applies in relation to an application under paragraph 13 of that Schedule in relation to an inspection under paragraph 10 of that Schedule.

#### Textual Amendments

**F135** Ss. 159A-159D inserted (1.9.2014) (with effect in accordance with Sch. 7 para. 8(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 7, 8\(3\)](#)

### 159C Penalties for failure to comply with information notices etc

- (1) This section applies where a person—
  - (a) fails to comply with an information notice under section 159A, or
  - (b) deliberately obstructs an officer of Revenue and Customs in the course of an inspection under section 159B that has been approved by the tribunal.
- (2) The reference in subsection (1)(a) to a person who fails to comply with an information notice includes a person who conceals, destroys or otherwise disposes of, or arranges for the concealment, destruction or disposal of, a document in breach of paragraph 42 or 43 of Schedule 36 to the Finance Act 2008 as applied by section 159A(2).
- (3) Paragraphs 39(2), 40 and 44 to 49 of Schedule 36 to the Finance Act 2008 (penalties for failure to comply with information notice etc) apply in relation to the failure or obstruction as they apply in relation to a failure or obstruction mentioned in paragraph 39(1) of that Schedule.

#### Textual Amendments

**F135** Ss. 159A-159D inserted (1.9.2014) (with effect in accordance with Sch. 7 para. 8(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 7, 8\(3\)](#)

### 159D Penalties for inaccurate information or documents provided under information notice

- (1) This section applies where—
  - (a) in complying with an information notice under section 159A, a person provides inaccurate information or produces a document that contains an inaccuracy, and
  - (b) the inaccuracy is material.
- (2) Paragraphs 40A and 46 to 49 of Schedule 36 to the Finance Act 2008 (penalties for inaccurate information and documents) apply in relation to the inaccuracy as they apply in relation to an inaccuracy connected with an information notice under that Schedule.]

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### Textual Amendments

**F135** Ss. 159A-159D inserted (1.9.2014) (with effect in accordance with Sch. 7 para. 8(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 7, 8\(3\)](#)

## CHAPTER 3

### PAYMENTS BY REGISTERED PENSION SCHEMES

#### *Introductory*

#### **160 Payments by registered pension schemes**

- (1) The only payments which a registered pension scheme is authorised to make to or in respect of a <sup>F136</sup>person who is or has been a] member of the pension scheme are those specified in section 164.
  - (2) In this Part “unauthorised member payment” means—
    - (a) a payment by a registered pension scheme to or in respect of a <sup>F137</sup>person who is or has been a] member of the pension scheme which is not authorised by section 164, and
    - (b) anything which is to be treated as an unauthorised payment to or in respect of a <sup>F138</sup>person who is or has been a] member of the pension scheme under <sup>F139</sup>this Part].
  - (3) The only payments which a registered pension scheme that is an occupational pension scheme is authorised to make to or in respect of a <sup>F140</sup>person who is or has been a] sponsoring employer are those specified in section 175.
  - (4) In this Part “unauthorised employer payment” means—
    - (a) a payment by a registered pension scheme that is an occupational pension scheme, to or in respect of a <sup>F141</sup>person who is or has been a] sponsoring employer, which is not authorised by section 175, and
    - (b) anything which is to be treated as an unauthorised payment to a <sup>F142</sup>person who is or has been a] sponsoring employer under section 181.
- <sup>F143</sup>(4A) If an unauthorised member payment or unauthorised employer payment made to or in respect of a person would have been greater but for a reduction made in respect of the whole, or any proportion, of the amount which the scheme administrator considers may be the amount of the liability to the scheme sanction charge in respect of it, it is to be regarded for the purposes of this Part as increased by the amount of the reduction.
- (4B) But if the amount, or that proportion of the amount, of that liability is in fact less than the amount of the reduction, a subsequent payment of an amount not exceeding the difference between that amount and the amount of the reduction made—
  - (a) to or in respect of the same person, and
  - (b) before the end of the period of two years beginning with the date on which the unauthorised member payment or unauthorised employer payment was made,is not to be regarded for the purposes of this Part as an unauthorised member payment or unauthorised employer payment.]

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- (5) In this Part “unauthorised payment” means—
- (a) an unauthorised member payment, or
  - (b) an unauthorised employer payment.
- (6) As well as section 157 (de-registration), the following provisions—
- (a) section 208 (unauthorised payments charge),
  - (b) section 209 (unauthorised payments surcharge),
  - (c) section 239 (scheme sanction charge), and
  - (d) section 242 (de-registration charge),
- specify consequences of making unauthorised payments.
- (7) Sections 182 to 185 contain provision about amounts that a registered pension scheme is not authorised to borrow.
- [<sup>F144</sup>(7A) Sections 185A to 185I contain provision about the receipt of income and gains from taxable property.]
- (8) As well as section 157, sections 239 and 242 specify consequences of unauthorised borrowing [<sup>F145</sup>and the receipt of income and gains from taxable property].
- (9) Schedule 36 contains (in Parts 3 and 4) transitional provision about unauthorised payments.

#### Textual Amendments

- F136** Words in s. 160(1) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 3(2)**
- F137** Words in s. 160(2)(a) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 3(3)(a)**
- F138** Words in s. 160(2)(b) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 3(3)(a)**
- F139** Words in s. 160(2)(b) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 3(3)(b)**
- F140** Words in s. 160(3) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 3(4)**
- F141** Words in s. 160(4)(a) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 3(4)**
- F142** Words in s. 160(4)(b) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 3(4)**
- F143** S. 160(4A)(4B) inserted (19.7.2007) (with effect in accordance with Sch. 20 para. 24(2) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), **Sch. 20 para. 5**
- F144** S. 160(7A) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 158(2), **Sch. 21 para. 3(2)**
- F145** Words in s. 160(8) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 158(2), **Sch. 21 para. 3(3)**

#### Commencement Information

- I13** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

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## 161 Meaning of “payment” etc

- (1) This section applies for the interpretation of this Chapter.
- (2) “Payment” includes a transfer of assets and any other transfer of money’s worth.
- (3) Subsection (4) applies to a payment made or benefit provided under or in connection with an investment (including an insurance contract or annuity) acquired using sums or assets held for the purposes of a registered pension scheme.
- (4) The payment or benefit is to be treated as made or provided from sums or assets held for the purposes of the pension scheme, even if the pension scheme has been wound up since the investment was acquired.
- (5) A payment made by a registered pension scheme to <sup>F146</sup>or in respect of] a person who—
  - (a) is connected with a <sup>F147</sup>person who is or has been a] member or sponsoring employer (or was connected with <sup>F148</sup>such a person at the date of the person's] death), and
  - (b) is not a <sup>F147</sup>person who is or has been a] member or sponsoring employer,is to be treated as made in respect of the <sup>F147</sup>person who is or has been a] member or sponsoring employer.
- (6) Any asset held by a person connected with a <sup>F149</sup>person who is or has been a] member or sponsoring employer (or who was connected with <sup>F150</sup>such a person at the date of the person's] death) is to be treated as held for the benefit of the <sup>F149</sup>person who is or has been a] member or sponsoring employer.
- (7) Any increase in the value of an asset held by, or reduction in the liability of, a person connected with a <sup>F151</sup>person who is or has been a] member or sponsoring employer (or who was connected with <sup>F152</sup>such a person at the date of the person's] death) is to be treated as an increase or reduction for the benefit of the <sup>F151</sup>person who is or has been a] member or sponsoring employer.
- <sup>F153</sup>(8) For the purposes of this section whether a person is connected with another person is determined in accordance with section 993 of ITA 2007.]

### Textual Amendments

- F146** Words in s. 161(5) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 5](#), 64(1)
- F147** Words in s. 161(5) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 4\(2\)\(a\)](#)
- F148** Words in s. 161(5) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 4\(2\)\(b\)](#)
- F149** Words in s. 161(6) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 4\(3\)\(a\)](#)
- F150** Words in s. 161(6) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 4\(3\)\(b\)](#)
- F151** Words in s. 161(7) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 4\(3\)\(a\)](#)
- F152** Words in s. 161(7) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 4\(3\)\(b\)](#)
- F153** S. 161(8) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 467](#) (with [Sch. 2](#))

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#### Modifications etc. (not altering text)

- C20** S. 161 modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), **2(1)-(3)**
- C21** S. 161(4) modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), **2(4)(5)**

#### Commencement Information

- I14** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 162 Meaning of “loan”

- (1) This section applies for the interpretation of this Chapter.
- (2) “Loan” does not include the purchase of or subscription to debentures, debenture stock, loan stock, bonds, certificates of deposit or other instruments creating or acknowledging indebtedness which are—
  - (a) listed or dealt in on a recognised stock exchange (within the meaning of <sup>[F154]</sup>section 1005 of ITA 2007), or
  - (b) offered to the public.
- (3) A guarantee of a loan made to or in respect of a <sup>[F155]</sup>person who is or has been a] member or sponsoring employer of a registered pension scheme <sup>[F156]</sup>, or to or in respect of a person who is connected with a <sup>[F155]</sup>person who is or has been a] member or sponsoring employer of a registered pension scheme but is not <sup>[F157]</sup>such a person], is to be treated as a loan to or in respect of the <sup>[F155]</sup>person who is or has been a] member or sponsoring employer of an amount equal to the amount guaranteed.
- (4) If a <sup>[F158]</sup>person who is or has been a] member or sponsoring employer of a registered pension scheme <sup>[F159]</sup> or a person who is connected with a <sup>[F158]</sup>person who is or has been a] member or sponsoring employer of a registered pension scheme but is not <sup>[F160]</sup>such a person]]—
  - (a) is liable to pay a debt, the right to payment of which constitutes an asset held for the purposes of the pension scheme, but
  - (b) is not required to pay it by the relevant date,
 the debt is to be treated as a loan made by the pension scheme to the <sup>[F158]</sup>person who is or has been a] member or sponsoring employer on that date.
- (5) The relevant date is the date by which a person at arm’s length from the pension scheme might be expected to be required to pay the debt.
- <sup>[F161]</sup>(6) For the purposes of this section whether a person is connected with another person is determined in accordance with section 993 of ITA 2007.]

#### Textual Amendments

- F154** Words in s. 162(2)(a) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 1 para. 468(2)** (with Sch. 2)
- F155** Words in s. 162(3) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 5(a)**
- F156** Words in s. 162(3) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), **Sch. 10 paras. 6(2)**, 64(1)



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- F157** Words in s. 162(3) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 5\(b\)](#)
- F158** Words in s. 162(4) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 5\(a\)](#)
- F159** Words in s. 162(4) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 6\(3\)](#), 64(1)
- F160** Words in s. 162(4) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 5\(b\)](#)
- F161** S. 162(6) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 468\(3\)](#) (with [Sch. 2](#))

#### Commencement Information

- I15** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 163 Meaning of “borrowing” etc

- (1) This section applies for the interpretation of this Chapter.
- (2) Borrowing is borrowing by a registered pension scheme if the amount borrowed is to be repaid from sums or assets held for the purposes of the pension scheme.
- (3) A liability is a liability of a registered pension scheme if the liability is to be met from sums or assets held for the purposes of the pension scheme.
- (4) Borrowing by a registered pension scheme is in respect of an arrangement if it is properly attributable to the arrangement in accordance with the provisions of the pension scheme and any just and reasonable apportionment.

#### Modifications etc. (not altering text)

- C22** S. 163(2) applied (retrospective to 6.4.2011) by [Finance Act 2011 \(c. 11\)](#), s. 68(5)(6)

#### Commencement Information

- I16** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### *Authorised member payments*

## 164 Authorised member payments

- <sup>F162</sup>(1) The only payments a registered pension scheme is authorised to make to or in respect of a <sup>F163</sup>person who is or has been a] member of the pension scheme are—
- (a) pensions permitted by the pension rules or the pension death benefit rules <sup>F164</sup>to be paid to or in respect of a member] (see sections 165 and 167),
  - (b) lump sums permitted by the lump sum rule or the lump sum death benefit rule <sup>F165</sup>to be paid to or in respect of a member] (see sections 166 and 168),
  - (c) recognised transfers (see section 169),
  - (d) scheme administration member payments (see section 171),
  - (e) payments pursuant to a pension sharing order or provision, and

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- (f) payments of a description prescribed by regulations made by the Board of Inland Revenue.

[<sup>F166</sup>(2) Regulations under subsection (1)(f) may—

- (a) provide that for the purposes of Part 9 of ITEPA 2003 all or part of a prescribed payment is to be treated as pension under a registered pension scheme, or as a lump sum of a prescribed description,
- (b) provide that all or part of a prescribed payment is subject to the short service refund lump sum charge<sup>F167</sup>... or the special lump sum death benefits charge,
- (c) provide that a prescribed event in relation to a prescribed payment is to be treated for the purposes of the lifetime allowance charge as a benefit crystallisation event, and make provision as to the amount crystallised by that event,

<sup>F168</sup>(d) .....

and “prescribed” means prescribed in regulations under subsection (1)(f).]

[<sup>F169</sup>(3) The Commissioners for Her Majesty's Revenue and Customs may by regulations make provision—

- (a) having the effect that the making of a prescribed authorised payment does not (directly or indirectly) result in an individual first flexibly accessing pension rights for the purposes of sections 227B to 227F,
- (b) having the effect that the making of a prescribed authorised payment is not a relevant withdrawal for the purposes of section 579CA of ITEPA 2003, and
- (c) having the effect that the making of a prescribed payment by a pension scheme that is not a registered pension scheme, where the payment would be an authorised payment if the scheme were a registered pension scheme, is not a relevant withdrawal for the purposes of section 576A of ITEPA 2003.

(4) In subsection (3)—

“authorised payment” means a payment specified in subsection (1), and  
 “prescribed” means prescribed in regulations under subsection (3).]

#### Textual Amendments

**F162** S. 164(1): s. 164 renumbered as s. 164(1) (21.7.2008) by [Finance Act 2008 \(c. 9\)](#), [Sch. 29 para. 1\(2\)\(a\)](#)

**F163** Words in s. 164 inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 6\(a\)](#)

**F164** Words in s. 164(a) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 6\(b\)](#)

**F165** Words in s. 164(b) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 6\(c\)](#)

**F166** S. 164(2) inserted (21.7.2008) by [Finance Act 2008 \(c. 9\)](#), [Sch. 29 para. 1\(2\)\(b\)](#)

**F167** Words in [s. 164\(2\)\(b\)](#) omitted (with effect in accordance with Sch. 5 para. 4 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 5 para. 3\(1\)\(a\)](#)

**F168** S. 164(2)(d) omitted (21.7.2009) by virtue of [Finance Act 2009 \(c. 10\)](#), [s. 75\(2\)\(a\)](#)

**F169** S. 164(3)(4) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 85](#)

#### Modifications etc. (not altering text)

**C23** S. 164 applied (with modifications) (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, 8

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### Commencement Information

**I17** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

## 165 Pension rules

- (1) These are the rules relating to the payment of pensions by a registered pension scheme to a member of the pension scheme (“the pension rules”).

### *Pension rule 1*

No payment of pension may be made before the day on which the member reaches normal minimum pension age, unless the ill-health condition was met immediately before the member became entitled to a pension under the pension scheme.

### *Pension rule 2*

If the member dies before the end of the period of ten years beginning with the day on which the member became entitled to a scheme pension [<sup>F170</sup>or an annuity], [<sup>F171</sup>and if in the case of an annuity that day was before 6 April 2015,] payment of the scheme pension [<sup>F172</sup>or annuity] may continue to be made (to any person) until the end of that period.

[<sup>F173</sup>If the member becomes entitled to an annuity on or after 6 April 2015 and the annuity is payable until the later of the member's death and the end of a term certain, payment of the annuity may continue to be made (to any person) until the end of that term.]

[<sup>F174</sup>Except as provided by the preceding provisions of this rule, no] payment of the member's pension may be made after the member's death.

### *Pension rule 3*

No payment of pension other than a scheme pension may be made in respect of a defined benefits arrangement.

### *Pension rule 4*

[<sup>F175</sup>No payment of pension] other than—

- (a) a scheme pension,
- (b) a lifetime annuity, or
- (c) [<sup>F176</sup>drawdown pension]

may be made in respect of a money purchase arrangement; but a scheme pension may only be paid if the member had an opportunity to select a lifetime annuity instead.

### [<sup>F177</sup>*Pension rule 5*

The total amount of drawdown pension paid in each drawdown pension year [<sup>F178</sup>from, or under a short-term annuity purchased using sums or assets out of, the member's drawdown pension fund] in respect of a money purchase arrangement must not exceed [<sup>F179</sup>150%] of the basis amount for the drawdown pension .]

<sup>F180</sup> .....

<sup>F180</sup> .....

- (2) In this Part “pension”, in relation to a registered pension scheme, includes—

- (a) an annuity, and

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(b) income withdrawal.

(3) For the purposes of this Part, a person becomes entitled to a pension under a registered pension scheme—

- (a) in the case of income withdrawal under the pension scheme, whenever sums or assets held for the purposes of an arrangement under the pension scheme are designated as available for the payment of [<sup>F181</sup>drawdown pension], and
- (b) in any other case, when the person first acquires an actual (rather than a prospective) right to receive the pension

[<sup>F182</sup>and, for this purpose, the abatement of a scheme pension under a public service pension scheme is not to be taken to affect the right to receive it].

<sup>F183</sup>(3A) .....

<sup>F183</sup>(3B) .....

(4) Part 1 of Schedule 28 gives the meaning of expressions used in the pension rules.

#### Textual Amendments

- F170** Words in s. 165(1) substituted (with effect as specified in Sch. 19 para. 29(1) to the amending Act) by [Finance Act 2007 \(c. 11\)](#), **Sch. 19 para. 2(2)(a)**
- F171** Words in s. 165(1) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 41(a)**
- F172** Words in s. 165(1) substituted (with effect as specified in Sch. 19 para. 29(1) to the amending Act) by [Finance Act 2007 \(c. 11\)](#), **Sch. 19 para. 2(2)(b)**
- F173** Words in s. 165(1) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 41(b)**
- F174** Words in s. 165(1) substituted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 41(c)**
- F175** Words in s. 165(1) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 1(2)(a)(i)**
- F176** Words in s. 165(1) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 1(2)(a)(ii)**
- F177** Words in s. 165(1) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 1(2)(b)**
- F178** Words in s. 165(1) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 1**
- F179** Word in s. 165(1) substituted (with effect in accordance with s. 41(6) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), **s. 41(1)**
- F180** Words in s. 165(1) omitted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 1(2)(c)**; and omitted (6.4.2015) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 32(1)(a)(4)**
- F181** Words in s. 165(3)(a) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 64**
- F182** Words in s. 165(3) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), **Sch. 10 paras. 7, 64(1)**
- F183** S. 165(3A)(3B) omitted (6.4.2015) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 32(1)(b)(4)**

#### Modifications etc. (not altering text)

- C24** S. 165 modified (6.4.2006) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\) Regulations 2006 \(S.I. 2006/207\)](#), regs. 1(1), **6**
- C25** S. 165 modified (27.7.2010) by [Finance \(No. 2\) Act 2010 \(c. 31\)](#), **Sch. 3 para. 2(1)(2)(a)** (with [Sch. 2 para. 2\(1\)](#))
- C26** S. 165 modified (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 90(2)(a)**

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- C27** S. 165 modified (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\), Sch. 16 para. 91\(2\)\(a\)](#)
- C28** S. 165 modified by The Pensions Schemes (Application of UK Provisions to Relevant Non-UK Schemes) Regulations 2006 (S.I. 2006/207), reg. 6 (as substituted (with effect in accordance with reg. 1(2) of the amending S.I.) by [S.I. 2012/1795, regs. 1\(1\), 3](#))
- C29** S. 165(1) modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\), arts. 1\(1\), 3, 4\(1\)\(2\)](#)

#### Commencement Information

- I18** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 166 Lump sum rule

- (1) This is the rule relating to the payment of lump sums by a registered pension scheme to a member of the pension scheme (“the lump sum rule”).

### *Lump sum rule*

No lump sum may be paid other than—

- (a) a pension commencement lump sum,
  - (b) a serious ill-health lump sum,
  - <sup>[F184]</sup>(ba) an uncrystallised funds pension lump sum,]
  - (c) a short service refund lump sum,
  - (d) a refund of excess contributions lump sum,
  - (e) a trivial commutation lump sum,
  - (f) a winding-up lump sum, <sup>F185</sup> ...
  - (g) a lifetime allowance excess lump sum<sup>[F186]</sup>, or
  - (h) a transitional 2013/14 lump sum.]
- (2) For the purposes of this Part, a person becomes entitled to a lump sum under a registered pension scheme—
- <sup>[F187]</sup>(za) in the case of a pension commencement lump sum to which paragraph 1B of Schedule 29 applies (certain sums paid before 6 April 2015), immediately before the person becomes entitled to the actual pension (see paragraph 1B(2)(h) of that Schedule),]
  - (a) in the case <sup>[F188]</sup>of any other] pension commencement lump sum, immediately before the person becomes entitled to the pension in connection with which it is paid <sup>[F189]</sup>(or, if the person dies before becoming entitled to the pension in connection with which it was anticipated it would be paid, immediately before death)],
  - <sup>[F190]</sup>(aa) in the case of an uncrystallised funds pension lump sum, immediately before it is paid,] and
  - (b) in any other case, when the person acquires an actual (rather than a prospective) right to receive the lump sum.
- (3) Part 1 of Schedule 29 gives the meaning of expressions used in the lump sum rule.
- (4) Schedule 36 contains (in Part 3) transitional provisions about lump sums.

*Status: Point in time view as at 06/04/2021.*

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- [<sup>F191</sup>(5) The Commissioners for Her Majesty's Revenue and Customs may by regulations amend Part 1 of Schedule 29, or Part 3 of Schedule 36, in connection with cases involving a lump sum within subsection (6).
- (6) A lump sum is within this subsection if—
- (a) the sum is paid on or after 19 September 2013 and before 6 April 2015, or
  - (b) the sum is paid before 19 September 2013, a contract for a lifetime annuity is entered into to provide the pension in connection with which the sum is paid, and on or after 19 March 2014 the contract is cancelled.
- (7) The provision that may be made under subsection (5) includes provision altering the effect of amendments made by the Finance Act 2014.]

#### Textual Amendments

- F184** S. 166(1)(ba) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 54**
- F185** Word in s. 166(1) omitted (19.3.2014) by virtue of [Finance Act 2014 \(c. 26\)](#), **Sch. 5 paras. 5(1), 15**
- F186** S. 166(1)(h) and preceding word inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 5 paras. 5(1), 15**
- F187** S. 166(2)(za) inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 5 paras. 2(2)(a), 15**
- F188** Words in s. 166(2)(a) substituted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 5 paras. 2(2)(b), 15**
- F189** Words in s. 166(2)(a) inserted (retrospective to 6.4.2006) by [Finance Act 2007 \(c. 11\)](#), **Sch. 20 paras. 9, 24(3)**
- F190** S. 166(2)(aa) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 55**
- F191** S. 166(5)-(7) inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 5 paras. 13, 15**

#### Modifications etc. (not altering text)

- C30** S. 166 applied (with modifications) (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **11**
- C31** S. 166(1) modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), **25(1)-(3)**
- C32** S. 166(2) modified by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), **art. 23B** (as inserted (1.6.2009) by [S.I. 2009/1172](#), arts. 1, **3**)
- C33** S. 166(2)(a) modified by [S.I. 2006/572](#), art. 23ZE(2) (as inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Taxation of Pension Schemes \(Transitional Provisions\) \(Amendment\) Order 2011 \(S.I. 2011/732\)](#), arts. 1(1), **3**)
- C34** S. 166(2)(a) modified by [S.I. 2006/572](#), art. 23ZC(2) (as inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Taxation of Pension Schemes \(Transitional Provisions\) \(Amendment\) Order 2011 \(S.I. 2011/732\)](#), arts. 1(1), **3**)

#### Commencement Information

- I19** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 167 Pension death benefit rules

- (1) These are the rules relating to the payment of pension death benefits by a registered pension scheme in respect of a member of the pension scheme (“the pension death benefit rules”).

*Pension death benefit rule 1*

*Status: Point in time view as at 06/04/2021.*

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No payment of pension death benefit may be made otherwise than to a dependant<sup>F192</sup>, or nominee or successor,] of the member.

*Pension death benefit rule 2*

No payment of pension death benefit other than a dependants' scheme pension may be made in respect of a defined benefits arrangement.

*Pension death benefit rule 3*

[<sup>F193</sup>No payment of pension death benefit] other than—

- (a) a dependants' scheme pension,
- (b) a dependants' annuity, or
- (c) [<sup>F194</sup>dependants' drawdown pension,]

may be made to [<sup>F195</sup>a dependant] in respect of a money purchase arrangement; but a dependants' scheme pension may only be paid if the member or dependant had an opportunity to select a dependants' annuity instead.

*[<sup>F196</sup>Pension death benefit rule 3A*

No payment of pension death benefit, other than [<sup>F197</sup>a nominees' annuity in respect of a money purchase arrangement or] nominees' drawdown pension in respect of a money purchase arrangement, may be made to a nominee of the member.]

*[<sup>F196</sup>Pension death benefit rule 3B*

No payment of pension death benefit, other than [<sup>F198</sup>a successors' annuity in respect of a money purchase arrangement or] successors' drawdown pension in respect of a money purchase arrangement, may be made to a successor of the member.]

*[<sup>F199</sup>Pension death benefit rule 4*

The total amount of dependants' drawdown pension paid to a dependant in each drawdown pension year [<sup>F200</sup>from, or under a dependants' short-term annuity purchased using sums or assets out of, the dependant's drawdown pension fund] in respect of a money purchase arrangement must not exceed [<sup>F201</sup>150%] of the basis amount for the drawdown pension year.

<sup>F202</sup> ...]

<sup>F203</sup> .....

<sup>F203</sup> .....

[<sup>F204</sup>(1A) For the purposes of this Part, a person becomes entitled to dependants' income withdrawal, nominees' income withdrawal or successors' income withdrawal under a registered pension scheme whenever sums or assets held for the purposes of an arrangement under the pension scheme are designated as available for the payment of (as the case may be) dependants' drawdown pension, nominees' drawdown pension or successors' drawdown pension.]

(2) [<sup>F205</sup>In this part “pension] death benefit” means a pension payable on the death of the member (other than a member’s pension payable after the member’s death under pension rule 2: see section 165)[<sup>F206</sup>, or a pension payable in respect of the member on the subsequent death of a dependant, nominee or successor of the member].

<sup>F207</sup>(2A) .....

<sup>F207</sup>(2B) .....

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- (3) Part 2 of Schedule 28 gives the meaning of expressions used in the pension death benefit rules.

#### Textual Amendments

- F192** Words in s. 167 inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 2(2)**
- F193** Words in s. 167(1) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 11(2)(a)(i)**
- F194** Words in s. 167(1) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 11(2)(a)(ii)**
- F195** Words in s. 167(1) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 11(2)(a)(iii)**
- F196** Words in s. 167 inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 2(3)**
- F197** Words in s. 167(1) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), **Sch. 4 para. 2(2)**
- F198** Words in s. 167(1) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), **Sch. 4 para. 2(3)**
- F199** Words in s. 167(1) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 11(2)(b)**
- F200** Words in s. 167(1) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 6**
- F201** Word in s. 167(1) substituted (with effect in accordance with s. 41(6) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), **s. 41(2)**
- F202** Words in s. 167(1) omitted (6.4.2015) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 32(1)(c)(4)**
- F203** Words in s. 167(1) omitted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 11(2)(c)**
- F204** S. 167(1A) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 2(4)**
- F205** Words in s. 167(2) substituted (retrospective to 6.4.2006) by [Finance Act 2007 \(c. 11\)](#), **Sch. 20 paras. 22(1), 24(3)**
- F206** Words in s. 167(2) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 2(5)**
- F207** S. 167(2A)(2B) omitted (6.4.2015) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 32(1)(d)(4)**

#### Modifications etc. (not altering text)

- C35** S. 167 modified (6.4.2006) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\) Regulations 2006 \(S.I. 2006/207\)](#), regs. 1(1), 7
- C36** S. 167 modified (27.7.2010) by [Finance \(No. 2\) Act 2010 \(c. 31\)](#), **Sch. 3 para. 2(1)(2)(c)** (with Sch. 2 para. 2(1))
- C37** S. 167 modified (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 99(2)(a)**
- C38** S. 167 modified (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 98(2)(a)**
- C39** S. 167 modified by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\) Regulations 2006 \(S.I. 2006/207\)](#), reg. 7 (as substituted (with effect in accordance with reg. 1(2) of the amending S.I.) by [S.I. 2012/1795](#), regs. 1(1), 4)
- C40** S. 167(1) modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), 3, 4(3)(4)

#### Commencement Information

- I20** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284



*Status: Point in time view as at 06/04/2021.*

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## 168 Lump sum death benefit rule

- (1) This is the rule relating to the payment of lump sum death benefits by a registered pension scheme in respect of a member of the pension scheme (“the lump sum death benefit rule”).

### *Lump sum death benefit rule*

No lump sum death benefit may be paid other than—

- (a) a defined benefits lump sum death benefit,
- (b) a pension protection lump sum death benefit,
- (c) an uncrystallised funds lump sum death benefit,
- (d) an annuity protection lump sum death benefit,
- <sup>F208</sup>(e) a drawdown pension fund lump sum death benefit,]
- <sup>F209</sup>(ea) a flexi-access drawdown fund lump sum death benefit,]
- (f) a charity lump sum death benefit,
- <sup>F210</sup>(g) . . . . .
- (h) a trivial commutation lump sum death benefit, or
- (i) a winding-up lump sum death benefit.

- (2) In this Part “lump sum death benefit” means a lump sum payable on the death of the member <sup>F211</sup>, or a lump sum payable in respect of the member on the subsequent death of a dependant, nominee or successor of the member.]

- (3) Part 2 of Schedule 29 gives the meaning of expressions used in the lump sum death benefit rule.

- (4) Schedule 36 contains (in Part 3) transitional provision about lump sum death benefits.

### **Textual Amendments**

- F208** S. 168(1)(e) substituted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 65**
- F209** S. 168(1)(ea) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 7**
- F210** S. 168(1)(g) repealed (19.7.2007) (with effect in accordance with Sch. 19 para. 29(3) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), **Sch. 19 para. 5**, **Sch. 27 Pt. 3(1)**
- F211** Words in s. 168(2) inserted (15.7.2015) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), **s. 22(9)(13)**

### **Modifications etc. (not altering text)**

- C41** S. 168 applied (with modifications) (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, 14
- C42** S. 168(1) modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), 6, 8(1)(2)

### **Commencement Information**

- I21** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*Status: Point in time view as at 06/04/2021.*

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## 169 Recognised transfers

- (1) A “recognised transfer” is a transfer of sums or assets held for the purposes of, or representing accrued rights under, a registered pension scheme so as to become held for the purposes of, or to represent rights under—
- (a) another registered pension scheme, or
  - (b) a qualifying recognised overseas pension scheme,
- in connection with a member of that pension scheme.
- [<sup>F212</sup>(1A) A transfer of sums or assets held for the purposes of, or representing accrued rights under, a registered pension scheme to an insurance company is to be treated as a recognised transfer if the sums or assets had been applied by the pension scheme towards the provision of a scheme pension or a dependants' scheme pension (but subject to regulations under subsections (1B) and (1C)).
- (1B) The Board of Inland Revenue may by regulations provide that, where any of the sums or assets transferred represent rights in respect of a scheme pension to which a member of a registered pension scheme has become entitled (“the original scheme pension”)—
- (a) the transfer is not a recognised transfer unless those sums and assets are, after the transfer, applied towards the provision of a scheme pension (a “new scheme pension”), and
  - (b) if they are so applied, the new scheme pension is to be treated, to such extent as is prescribed by the regulations and for such of the purposes of this Part as are so prescribed, as if it were the original scheme pension.
- (1C) The Board of Inland Revenue may by regulations provide that, where any of the sums or assets transferred represent rights in respect of a dependants' scheme pension to which a dependant of a member of a registered pension scheme has become entitled in respect of the member (“the original dependants' scheme pension”)—
- (a) the transfer is not a recognised transfer unless those sums and assets are, after the transfer, applied towards the provision of a dependants' scheme pension (a “new dependants' scheme pension”), and
  - (b) if they are so applied, the new dependants' scheme pension is to be treated, to such extent as is prescribed by the regulations and for such of the purposes of this Part as are so prescribed, as if it were the original dependants' scheme pension.
- (1D) The Board of Inland Revenue may by regulations provide that, where any of the sums or assets transferred represent—
- (a) a [<sup>F213</sup>member's drawdown pension fund or dependant's drawdown pension fund], <sup>F214</sup>... [<sup>F215</sup>or
  - (aa) a member's flexi-access drawdown fund or dependant's flexi-access drawdown fund,]<sup>F216</sup>or
  - (ab) a nominee's flexi-access drawdown fund, or
  - (ac) a successor's flexi-access drawdown fund,]
- <sup>F214</sup>(b) . . . . .
- under an arrangement (“the old arrangement”), the transfer is not a recognised transfer unless all of those sums and assets become held under an arrangement under which no other sums or assets are held (“the new arrangement”).

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(1E) If regulations so provide they may make in relation to cases in which the sums and assets become so held provision as to the treatment for the purposes of any provision of this Part of—

- (a) the sums and assets transferred, and
- (b) the new arrangement,

including provision for treating the sums and assets transferred as remaining, to such extent as is prescribed by the regulations and for such of the purposes of this Part as are so prescribed, sums and assets held under the old arrangement.]

(2) For the purposes of this Part a recognised overseas pension scheme is a qualifying recognised overseas pension scheme if—

(a) the scheme manager has given to the Inland Revenue notification that it is a recognised overseas pension scheme and has provided any such evidence that it is a recognised overseas pension scheme as the Inland Revenue may require,

(b) the scheme manager has undertaken to the Inland Revenue to inform the Inland Revenue if it ceases to be a recognised overseas pension scheme,

[<sup>F217</sup>(ba) the scheme manager has confirmed to an officer of Revenue and Customs that the scheme manager understands the scheme manager's potential liability to overseas transfer charge and has undertaken to such an officer to operate the charge including by meeting the scheme manager's liabilities to the charge,]

(c) the scheme manager has undertaken to the Inland Revenue to comply with [<sup>F218</sup>any requirements imposed under subsection (4)], and

(d) the recognised overseas pension scheme is not excluded from being a qualifying recognised overseas pension scheme by subsection (5).

[<sup>F219</sup>(2A) Regulations may make provision as to—

(a) information that is to be included in, or is to accompany, a notification under subsection (2)(a);

(b) the way and form in which such a notification, or any required information or evidence, is to be given or provided.]

(3) In this Part “scheme manager”, in relation to a pension scheme, means the person or persons administering, or responsible for the management of, the pension scheme.

[<sup>F220</sup>(4) Regulations may require the scheme manager of a QROPS or former QROPS to—

(a) give the Commissioners information of a prescribed description,

(b) give the Commissioners such evidence as they may require of a prescribed matter,

[<sup>F221</sup>(ba) give information of a prescribed description to the scheme manager of a QROPS or former QROPS,

(bb) give information of a prescribed description to the scheme administrator of a registered pension scheme,

(bc) give information of a prescribed description to a member, or former member, of the QROPS or former QROPS,] and

(c) give a prescribed authority, in prescribed circumstances, information of a prescribed description.

[<sup>F222</sup>(4ZA) Regulations may require a member, or former member, of a QROPS or former QROPS to give information of a prescribed description to the scheme manager of a QROPS or former QROPS.]

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- (4A) Regulations under subsection (4) [<sup>F223</sup>or (4ZA)] may make provision as to—
- (a) the way and form in which information or evidence is to be given, and
  - (b) the times or intervals at which information or evidence is to be given.
- (4B) The regulations may apply any provision of Part 7 of Schedule 36 to FA 2008 (penalties), with or without modifications, in relation to requirements imposed under the regulations on a former QROPS.]
- [<sup>F224</sup>(4C) Provision under subsection (2A)(b) or (4A)(a) may, in particular, provide for use of a way or form specified by the Commissioners.]
- (5) A recognised overseas pension scheme is excluded from being a qualifying recognised overseas pension scheme by this subsection if [<sup>F225</sup>the Commissioners have] decided that—
- (a) [<sup>F226</sup>any of the following conditions is met in relation to the scheme—
    - (i) there has been a failure to comply with a relevant requirement and the failure is significant,
    - (ii) any information given pursuant to a relevant requirement is [<sup>F227</sup>inaccurate] in a material respect,
    - (iii) any declaration given pursuant to a relevant requirement is false in a material respect,
    - (iv) there is no scheme manager,] and
  - (b) by reason of [<sup>F228</sup>that condition being met] it is not appropriate that transfers of sums or assets held for the purposes of, or representing accrued rights under, registered pension schemes so as to become held for the purposes of, or to represent rights under, the recognised overseas pension scheme should be recognised transfers,
- and has notified the person or persons appearing to be the scheme manager of that decision (but subject to subsection (7) and section 170).
- [<sup>F229</sup>(6) A failure to comply with a requirement is significant if—
- (a) it is a failure to give information or evidence that is (or may be) of significance, or
  - (b) there are reasonable grounds for believing that the failure prejudices (or might prejudice) the assessment or collection of tax by the Commissioners.]

(7) The Inland Revenue—

    - (a) may at any time after a recognised overseas pension scheme becomes excluded from being a qualifying recognised overseas pension scheme decide that the pension scheme is to cease to be so excluded, and
    - (b) must notify the scheme manager of the decision.

[<sup>F230</sup>(7A) Regulations may, in a case where—

    - (a) any of the sums and assets transferred by a relevant overseas transfer represent rights in respect of a pension to which a person has become entitled under the transferring scheme (“the original pension”), and
    - (b) those sums and assets are, after the transfer, applied towards the provision of a pension under the other scheme (“the new pension”),

provide that the new pension is to be treated, to such extent as is prescribed and for such of the purposes of this Part as are prescribed, as if it were the original pension.

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(7B) For the purposes of subsection (7A), a “relevant overseas transfer” is a transfer of sums or assets held for the purposes of, or representing accrued rights under, a relevant overseas scheme (“the transferring scheme”) so as to become held for the purposes of, or to represent rights under—

- (a) another relevant overseas scheme, or
- (b) a registered pension scheme,

in connection with a member of that pension scheme.

(7C) In subsection (7B) “relevant overseas scheme” means—

- (a) a QROPS, or
- (b) a relevant non-UK scheme (see paragraph 1(5) of Schedule 34).

(7D) Regulations under subsection (7A) may—

- (a) apply generally or only in specified cases, and
- (b) make different provision for different cases.]

[<sup>F231</sup>(8) In subsections (4) to (6) [<sup>F232</sup>, (7A) to (7D)] and this subsection—

“the Commissioners” means the Commissioners for Her Majesty's Revenue and Customs;

“prescribed” means prescribed by regulations;

“QROPS” means a qualifying recognised overseas pension scheme, and “former QROPS” means a scheme that has at any time been a QROPS;

“regulations” means regulations made by the Commissioners;

“relevant requirement” means—

- (a) a requirement imposed by regulations under subsection (4), or
- (b) a requirement imposed by virtue of Part 1 of Schedule 36 to FA 2008 (powers to obtain information and documents)<sup>F233</sup>, or
- (c) a requirement to pay overseas transfer charge, or interest on overseas transfer charge, imposed by regulations under section 244L(2) or by an assessment under such regulations.]]

#### Textual Amendments

- F212** S. 169(1A)-(1E) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 36](#), 64(1)
- F213** Words in s. 169(1D)(a) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 66\(a\)](#)
- F214** S. 169(1D)(b) and preceding word omitted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 66\(b\)](#)
- F215** S. 169(1D)(aa) and preceding word inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 8](#)
- F216** S. 169(1D)(ab)(ac) and preceding word inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 4](#)
- F217** S. 169(2)(ba) inserted (with effect in accordance with Sch. 4 para. 25 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 4 paras. 13\(2\)](#), 25(3)
- F218** Words in s. 169(2)(c) substituted (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), [s. 53\(3\)](#)
- F219** S. 169(2A) inserted (retrospective to 9.3.2017 and with effect in accordance with Sch. 4 para. 25 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 4 para. 13\(3\)](#)
- F220** S. 169(4)-(4B) substituted for s. 169(4) (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), [s. 53\(4\)](#)
- F221** S. 169(4)(ba)-(bc) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 92](#)

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- F222** S. 169(4ZA) inserted (retrospective to 9.3.2017 and with effect in accordance with Sch. 4 para. 25 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), **Sch. 4 para. 13(4)**
- F223** Words in s. 169(4A) inserted (retrospective to 9.3.2017 and with effect in accordance with Sch. 4 para. 25 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), **Sch. 4 para. 13(5)**
- F224** S. 169(4C) inserted (retrospective to 9.3.2017 and with effect in accordance with Sch. 4 para. 25 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), **Sch. 4 para. 13(6)**
- F225** Words in s. 169(5) substituted (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), **s. 53(5)(a)**
- F226** S. 169(5)(a) substituted (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), **s. 53(5)(b)**
- F227** Word in s. 169(5)(a)(ii) substituted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 7 para. 23(a)**
- F228** Words in s. 169(5)(b) substituted (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), **s. 53(5)(c)**
- F229** S. 169(6) substituted (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), **s. 53(6)**
- F230** S. 169(7A)-(7D) inserted (retrospective to 9.3.2017 and with effect in accordance with Sch. 4 para. 25 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), **Sch. 4 para. 13(7)**
- F231** S. 169(8) inserted (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), **s. 53(7)**
- F232** Words in s. 169(8) inserted (retrospective to 9.3.2017 and with effect in accordance with Sch. 4 para. 25 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), **Sch. 4 para. 13(8)(a)**
- F233** Words in s. 169(8) inserted (retrospective to 9.3.2017 and with effect in accordance with Sch. 4 para. 25 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), **Sch. 4 para. 13(8)(b)**

#### Commencement Information

- I22** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

## 170 Appeal against decision to exclude recognised overseas pension scheme

- (1) This section applies where a recognised overseas pension scheme is excluded from being a qualifying recognised overseas pension scheme by a decision of the Inland Revenue under section 169(5).
- (2) The scheme manager may appeal against the decision.
- <sup>F234</sup>(3) .....
- <sup>F234</sup>(4) .....
- (5) An appeal under this section against a decision must be brought within the period of 30 days beginning with the day on which the notification of the decision was given.
- (6) [<sup>F235</sup>On an appeal that is notified to the tribunal, the tribunal] must consider whether the recognised overseas pension scheme ought to have been excluded from being a qualifying recognised overseas pension scheme.
- (7) If [<sup>F236</sup>the tribunal decides] that the recognised overseas pension scheme ought to have been excluded from being a qualifying recognised overseas pension scheme, [<sup>F237</sup>the tribunal must] dismiss the appeal.
- (8) If [<sup>F238</sup>the tribunal decides] that the recognised overseas pension scheme ought not to have been excluded from being a qualifying recognised overseas pension scheme, the recognised overseas pension scheme is to be treated as having remained a qualifying recognised overseas pension scheme (but subject to any further appeal <sup>F239</sup>...).

*Status: Point in time view as at 06/04/2021.*

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### Textual Amendments

- F234** S. 170(3)(4) omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 425\(2\)](#)
- F235** Words in s. 170(6) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 425\(3\)](#)
- F236** Words in s. 170(7) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 425\(4\)\(a\)](#)
- F237** Words in s. 170(7) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 425\(4\)\(b\)](#)
- F238** Words in s. 170(8) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 425\(5\)\(a\)](#)
- F239** Words in s. 170(8) omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 425\(5\)\(b\)](#)

### Commencement Information

- I23** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 171 Scheme administration member payments

- (1) A “scheme administration member payment” is a payment by a registered pension scheme to or in respect of a [<sup>F240</sup>person who is or has been a] member of the pension scheme which is made for the purposes of the administration or management of the pension scheme.
- (2) But if a payment falling within subsection (1) exceeds the amount which might be expected to be paid to a person who was at arm’s length, the excess is not a scheme administration member payment.
- (3) Scheme administration member payments include in particular—
- the payment of wages, salaries or fees to persons engaged in administering the pension scheme, and
  - payments made for the purchase of assets to be held for the purposes of the pension scheme.
- (4) A loan to or in respect of a [<sup>F241</sup>person who is or has been a] member of the pension scheme is not a scheme administration member payment.
- (5) Regulations made by the Board of Inland Revenue may provide that payments of a description specified in the regulations are, or are not, scheme administration member payments.

### Textual Amendments

- F240** Words in s. 171(1) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 7](#)
- F241** Words in s. 171(4) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 7](#)

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### Commencement Information

**I24** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## *Unauthorised member payments*

### 172 Assignment

- (1) Subsection (2) applies if a member of a registered pension scheme (or the member's personal representatives) assigns or agrees to assign
    - <sup>F242</sup>(a) any benefit, other than an excluded pension, to which the member (or any dependant<sup>F243</sup>, nominee or successor] of the member) has an actual or prospective entitlement under the pension scheme, or
    - (b) any right in respect of any sums or assets held for the purposes of any arrangement under the pension scheme].
  - (2) Unless the assignment or agreement is pursuant to a pension sharing order or provision, the pension scheme is to be treated as making an unauthorised payment to the member (or to the member's personal representatives in respect of the member).
  - (3) Subsection (4) applies if a person (or a person's personal representatives) assigns or agrees to assign
    - <sup>F244</sup>(a) any benefit, other than an excluded pension, to which the person has <sup>F245</sup>a] prospective entitlement under the pension scheme in respect of a member of the pension scheme, or
    - (b) any right in respect of any sums or assets held for the purposes of any arrangement relating to <sup>F246</sup>a member of the pension scheme] under the pension scheme].
  - (4) Unless the assignment or agreement is pursuant to a pension sharing order or provision, the pension scheme is to be treated as making an unauthorised payment to the person (or the person's personal representatives) in respect of the member.
  - (5) The amount of the unauthorised payment is the greater of—
    - (a) the consideration received in respect of the assignment or agreement, and
    - (b) the consideration which might be expected to be received in respect of the assignment or agreement if the parties to the transaction were at arm's length <sup>F247</sup> and any power to reduce the entitlement to the benefit or right did not exist].
  - (6) Where a pension scheme is treated by this section as having made an unauthorised payment in relation to an assignment (or an agreement to assign), payments by the pension scheme of the benefit <sup>F248</sup> or right] assigned (or agreed to be assigned) are not unauthorised payments.
- <sup>F249</sup>(6A) References in this section to a benefit to which the member or a person has an entitlement under the pension scheme includes rights to payments under—
- (a) a scheme pension or dependants' scheme pension provided by the scheme administrator or as a result of the application of sums or assets held for the purposes of the pension scheme, or



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- (b) a lifetime annuity or dependants' annuity<sup>[F250]</sup>, or nominees' annuity or successors' annuity,] purchased by the application of sums or assets held for the purposes of the pension scheme.]

[<sup>F251</sup>(7) An excluded pension is so much of any pension which under pension rule 2 may continue to be paid after the member's death as may be so paid.]

- (8) “Assignment” includes assignation and related expressions are to be read accordingly.

#### Textual Amendments

**F242** S. 172(1)(a)(b) substituted for words (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 37\(2\), 64\(1\)](#)

**F243** Words in s. 172(1)(a) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 5](#)

**F244** S. 172(3)(a)(b) substituted for words (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 37\(3\), 64\(1\)](#)

**F245** Word in s. 172(3)(a) substituted (21.7.2008) (with effect in accordance with Sch. 28 para. 15(1) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 28 para. 2\(2\)\(a\)](#)

**F246** Words in s. 172(3)(b) substituted (21.7.2008) (with effect in accordance with Sch. 28 para. 15(1) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 28 para. 2\(2\)\(b\)](#)

**F247** Words in s. 172(5)(b) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 37\(4\), 64\(1\)](#)

**F248** Words in s. 172(6) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 37\(5\), 64\(1\)](#)

**F249** S. 172(6A) inserted (21.7.2008) (with effect in accordance with Sch. 28 para. 15(1) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 28 para. 2\(3\)](#)

**F250** Words in s. 172(6A)(b) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 8](#)

**F251** S. 172(7) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 37\(6\), 64\(1\)](#)

#### Commencement Information

**I25** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

#### [<sup>F252</sup>172A Surrender

- (1) Subsection (2) applies if a member of a registered pension scheme surrenders or agrees to surrender—

- (a) any benefit, other than an excluded pension, to which the member (or any dependant<sup>[F253]</sup>, nominee or successor] of the member) has a prospective entitlement under an arrangement under the pension scheme,

[<sup>F254</sup>(aa) any rights to payments under a lifetime annuity or dependants' annuity<sup>[F255]</sup>, or nominees' annuity or successors' annuity,] purchased by the application of sums or assets held for the purposes of the pension scheme,] or

- (b) any right in respect of any sums or assets held for the purposes of any arrangement under the pension scheme.

- (2) The pension scheme is to be treated as making an unauthorised payment to the member.

- (3) Subsection (4) applies if a person surrenders or agrees to surrender—

- (a) any benefit, other than an excluded pension, to which the person has a prospective entitlement under an arrangement under the pension scheme [<sup>F256</sup>in respect of] a member of a pension scheme, or

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- (b) any right in respect of any sums or assets held for the purposes of any arrangement relating to a member of the pension scheme under the pension scheme.
- (4) The pension scheme is to be treated as making an unauthorised payment to the person in respect of the member.
- (5) Subsections (2) and (4) do not apply to—
- (a) a surrender pursuant to a pension sharing order or provision,
  - (b) a surrender (or agreement to surrender) by the member in return for the conferring on a dependant<sup>F257</sup>, or nominee,] of an entitlement to benefits after the member's death,
  - <sup>F258</sup>(ba) [ a surrender (or agreement to surrender) by a dependant, nominee or successor of the member (“the beneficiary”) in return for the conferring, on a successor of the member, of an entitlement to benefits after the beneficiary's death,]
  - (c) a transfer of (or agreement to transfer) benefits or rights so as to become benefits or rights under another arrangement under the pension scheme relating to the member<sup>F259</sup>, dependant, nominee or successor],
  - <sup>F260</sup>(ca) [ a surrender of (or agreement to surrender) rights to payments under an annuity in any case covered by regulations under paragraph 3(2B) or 17(3) of Schedule 28;]
  - <sup>F261</sup>(d) .....
  - <sup>F262</sup>(da) [ a surrender made as part of a retirement-benefit activities compliance exercise,
  - (db) a surrender of a prospective entitlement to pension death benefits within section 167(1) or lump sum death benefits within section 168(1) (or both) made in order to comply with [<sup>F263</sup>Part 5 of the Equality Act 2010, so far as relating to age, or the] Employment Equality (Age) Regulations (Northern Ireland) 2006 (or any regulations amending or replacing [<sup>F264</sup>those Regulations])]
  - (e) a surrender (or agreement to surrender) which constitutes an assignment (or agreement to assign) within section 172, or
  - (f) any surrender (or agreement to surrender) of a description prescribed by regulations made by the Board of Inland Revenue.
- <sup>F265</sup>(5A) [ Subsection (5)(b) applies only if the entitlement is held (or is to be held) by the dependant<sup>F266</sup>, or nominee,] under an arrangement under the pension scheme relating to the member or dependant [<sup>F267</sup>or nominee].]
- <sup>F268</sup>(5B) [ Subsection (5)(ba) applies only if the entitlement is held (or is to be held) by the successor under an arrangement under the pension scheme relating to the beneficiary or successor.]
- (6) Regulations under subsection (5)(f) may include provision having effect in relation to times before they are made.
- (7) Subsections (2) and (4) do not apply to the surrender of a benefit to which the member (or a dependant [<sup>F269</sup>or nominee or successor] of the member) has a prospective entitlement, or to which the person has a prospective entitlement in respect of a member, under an arrangement that is a defined benefits arrangement or cash balance arrangement unless—
- (a) in consequence of the surrender, the actual or prospective entitlement of another member (or dependant<sup>F270</sup>, or nominee or successor,] of another

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- member) of the pension scheme, or of another person in respect of another member, to benefits under the scheme is increased, and
- (b) the two members are or have been connected persons.
- (8) The amount of the unauthorised payment is the consideration that might be expected to be received if what is surrendered were assigned by a transaction between parties at arm's length and any power to reduce the entitlement to the benefit or right did not exist.
- (9) In this section “surrender”, in relation to any benefit or right of a member (or dependant of a member) of a pension scheme or other person, includes any schemes, arrangements or understandings of any kind (whether or not legally enforceable) the main purpose, or one of the main purposes, of which is to reduce the member's (or dependant's), or person's, entitlement to the benefit or right.
- [ References in this section to a benefit to which the member or a person has an
- <sup>F271</sup>(9A) entitlement under the pension scheme includes rights to payments under—
- (a) a scheme pension or dependants' scheme pension provided by the scheme administrator or as a result of the application of sums or assets held for the purposes of the pension scheme, or
- (b) a lifetime annuity or dependants' annuity<sup>F272</sup>, or nominees' annuity or successors' annuity,] purchased by the application of sums or assets held for the purposes of the pension scheme.]
- (10) <sup>F273</sup>For the purposes of this section an] excluded pension is so much of any pension which under pension rule 2 may continue to be paid after the member's death as may be so paid.
- [ For the purposes of this section a surrender relating to an arrangement under the
- <sup>F274</sup>(10A) pension scheme (“the old arrangement”) is made as part of a retirement-benefit activities compliance exercise if—
- (a) it is made in connection with the making of an arrangement under another pension scheme relating to the member (“the new arrangement”),
- (b) the old arrangement and the new arrangement relate to the same employment,
- (c) both the rights surrendered and the rights conferred under the new arrangement consist of or include a prospective entitlement to pension death benefits within section 167(1) or lump sum death benefits within section 168(1) (or both),
- (d) the surrender and the making of the new arrangement constitute or form part of a transaction the purpose of which is to secure that the activities of the pension scheme are limited to retirement-benefit activities within the meaning of section 255 of the Pensions Act 2004 or Article 232 of the Pensions (Northern Ireland) Order 2005, and
- (e) the rights surrendered and the rights conferred under the new arrangement are not significantly different.]
- <sup>F275</sup>(11) For the purposes of this section whether a person is connected with another person is determined in accordance with section 993 of ITA 2007.]

#### Textual Amendments

**F252** Ss. 172A-172D inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 38, 64\(1\)](#)

**F253** Words in s. 172A(1)(a) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 6](#)

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- F254** S. 172A(1)(aa) inserted (21.7.2008) (with effect in accordance with Sch. 28 para. 15(2) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 28 para. 3(2)**
- F255** Words in s. 172A(1)(aa) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), **Sch. 4 para. 9(2)**
- F256** Words in s. 172A(3)(a) substituted (21.7.2008) (with effect in accordance with Sch. 28 para. 15(2) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 28 para. 3(3)**
- F257** Words in s. 172A(5)(b) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 7(a)**
- F258** S. 172A(5)(ba) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 7(b)**
- F259** Words in s. 172A(5)(c) substituted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 7(c)**
- F260** S. 172A(5)(ca) inserted (21.7.2008) (with effect in accordance with Sch. 28 para. 15(2) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 28 para. 3(4)**
- F261** S. 172A(5)(d) omitted (with effect in accordance with Sch. 7 para. 12 of the amending Act) by virtue of [Finance Act 2014 \(c. 26\)](#), **Sch. 7 para. 10(2)**
- F262** S. 172A(5)(da)(db) inserted (retrospective to 6.4.2006) by [Finance Act 2007 \(c. 11\)](#), **Sch. 20 paras. 6(2), 24(3)**
- F263** Words in s. 172A(5)(db) substituted by 2010 c. 15, Sch. 26 Pt. 1 para. 58(a) (as inserted (E.W.S.) (1.10.2010) by [The Equality Act 2010 \(Consequential Amendments, Saving and Supplementary Provisions\) Order 2010 \(S.I. 2010/2279\)](#), art. 1(2), **Sch. 1 para. 5** (see S.I. 2010/2317, art. 2))
- F264** Words in s. 172A(5)(db) substituted by 2010 c. 15, Sch. 26 Pt. 1 para. 58(b) (as inserted (E.W.S.) (1.10.2010) by [The Equality Act 2010 \(Consequential Amendments, Saving and Supplementary Provisions\) Order 2010 \(S.I. 2010/2279\)](#), art. 1(2), **Sch. 1 para. 5** (see S.I. 2010/2317, art. 2))
- F265** S. 172A(5A) inserted (with effect in accordance with Sch. 7 para. 12 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), **Sch. 7 para. 10(3)**
- F266** Words in s. 172A(5A) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 8(a)**
- F267** Words in s. 172A(5A) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 8(b)**
- F268** S. 172A(5B) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 9**
- F269** Words in s. 172A(7) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 10(a)**
- F270** Words in s. 172A(7)(a) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 10(b)**
- F271** S. 172A(9A) inserted (21.7.2008) (with effect in accordance with Sch. 28 para. 15(2) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 28 para. 3(5)**
- F272** Words in s. 172A(9A)(b) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), **Sch. 4 para. 9(3)**
- F273** Words in s. 172A(10) substituted (retrospective to 6.4.2006) by [Finance Act 2007 \(c. 11\)](#), **Sch. 20 paras. 6(3), 24(3)**
- F274** S. 172A(10A) inserted (retrospective to 6.4.2006) by [Finance Act 2007 \(c. 11\)](#), **Sch. 20 paras. 6(4), 24(3)**
- F275** S. 172A(11) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 1 para. 469** (with Sch. 2)

## **172B Increase in rights of connected person on death**

- (1) This section applies if—
- (a) at any time after the death of a relevant member of a registered pension scheme, there is an increase in the pension rights of another member of the pension scheme which is attributable to the death, and
  - (b) the dead member and other member were connected persons immediately before the death.

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- (2) A member of a registered pension scheme is a relevant member if, immediately before his death, any of his rights under the pension scheme are—
- (a) rights to benefit to which the member (or any dependant [F276 or nominee or successor] of the member) has a prospective entitlement under an arrangement under the pension scheme,
  - [ F277 (aa) rights to payments under a scheme pension or dependants' scheme pension provided by the scheme administrator or as a result of the application of sums or assets held for the purposes of the pension scheme or under a lifetime annuity or dependants' annuity [F278, or nominees' annuity or successors' annuity,] purchased by the application of sums or assets held for the purposes of the pension scheme,] F279 ...
  - [ F280 (ab) rights representing the nominee's flexi-access drawdown fund or successor's flexi-access drawdown fund in respect of an arrangement under the pension scheme,]
  - (b) rights representing the [F281 member's drawdown pension fund or dependant's drawdown pension fund] in respect of an arrangement under the pension scheme [F282, or
  - (c) rights representing the member's flexi-access drawdown fund or dependant's flexi-access drawdown fund in respect of an arrangement under the pension scheme.]
- (3) There is at any time an increase in the pension rights of the other member of the pension scheme which is attributable to the death if—
- (a) the consideration which might be expected to be received in respect of an assignment (or assignation) of the benefits to which he [F283 has an actual or prospective entitlement] under the pension scheme at that time, exceeds
  - (b) the consideration which might be expected to be received in respect of such an assignment (or assignation) immediately before that time,
- in consequence of the death (ignoring for the purposes of paragraphs (a) and (b) any power to reduce the entitlement to the benefits).
- (4) The pension scheme is to be treated as making an unauthorised payment to the other member (or to the other member's personal representatives) of an amount equal to the excess (but subject to subsection [F284 (5)]).
- (5) The amount which would (apart from this subsection) constitute the unauthorised payment is to be reduced by so much of the excess as arises—
- [ F285 (a) .....
  - (b) from the other member becoming entitled to pension death benefits or lump sum death benefits in respect of the dead member, or
  - (c) in any manner prescribed by regulations made by the Board of Inland Revenue.
- (6) Regulations under subsection (5)(c) may include provision having effect in relation to times before they are made.
- (7) This section does not apply if—
- [ F286 (a) .....
  - (b) the benefits to which each of [F287 at least 20 members of the pension scheme] [F288 has an actual or prospective entitlement] under the pension scheme are increased at the same rate in consequence of the death.

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- [ This section does not apply if—
- <sup>F289</sup>(7A) (a) the increase mentioned in subsection (1)(a) is an increase in the rate of a dependants' annuity<sup>F290</sup>, nominees' annuity, successors' annuity] or dependants' scheme pension or in rights representing a [<sup>F291</sup>nominee's flexi-access drawdown fund, successor's flexi-access drawdown fund,]<sup>F292</sup>dependant's drawdown pension fund]<sup>F293</sup>or dependant's flexi-access drawdown fund], and
- (b) the increase is attributable to rights of the dead member to payments under a dependants' annuity<sup>F290</sup>, nominees' annuity, successors' annuity] or dependants' scheme pension or rights representing a [<sup>F291</sup>nominee's flexi-access drawdown fund, successor's flexi-access drawdown fund,]<sup>F294</sup>dependant's drawdown pension fund]<sup>F293</sup>or dependant's flexi-access drawdown fund].
- (7B) References in this section to a benefit to which the member or a person has an entitlement under the pension scheme includes rights to payments under—
- (a) a scheme pension or dependants' scheme pension provided by the scheme administrator or as a result of the application of sums or assets held for the purposes of the pension scheme, or
- (b) a lifetime annuity or dependants' annuity<sup>F295</sup>, or nominees' annuity or successors' annuity,] purchased by the application of sums or assets held for the purposes of the pension scheme.]
- (8) This section does not apply if the increase in the pension rights of the other member is brought about by an assignment (or agreement to assign) within section 172.
- <sup>F296</sup>(8A) . . . . .
- [<sup>F297</sup>(9) For the purposes of this section whether a person is connected with another person is determined in accordance with section 993 of ITA 2007.]

#### Textual Amendments

- F252** Ss. 172A-172D inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), **Sch. 10 paras. 38, 64(1)**
- F276** Words in s. 172B(2)(a) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 11(a)**
- F277** S. 172B(2)(aa) inserted (21.7.2008) (with effect in accordance with Sch. 28 para. 15(3) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 28 para. 4(2)**
- F278** Words in s. 172B(2)(aa) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), **Sch. 4 para. 10(2)**
- F279** Word in s. 172B(2)(aa) omitted (17.12.2014) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 9(a)**
- F280** S. 172B(2)(ab) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 11(b)**
- F281** Words in s. 172B(2)(b) substituted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 67(2)**
- F282** S. 172B(2)(c) and preceding word inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 9(b)**
- F283** Words in s. 172B(3)(a) substituted (21.7.2008) (with effect in accordance with Sch. 28 para. 15(3) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 28 para. 4(3)**
- F284** Word in s. 172B(4) substituted (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), **Sch. 19 para. 12(3)**
- F285** S. 172B(5)(a) repealed (19.7.2007) (with effect in accordance with Sch. 19 para. 29(3) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), **Sch. 19 para. 6, Sch. 27 Pt. 3(1)**
- F286** S. 172B(7)(a) omitted (21.7.2008) (with effect in accordance with Sch. 28 para. 15(3) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), **Sch. 28 para. 4(4)(a)**

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- F287** Words in s. 172B(7)(b) substituted (21.7.2008) (with effect in accordance with Sch. 28 para. 15(3) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 28 para. 4(4)(b)**
- F288** Words in s. 172B(7)(b) substituted (21.7.2008) (with effect in accordance with Sch. 28 para. 15(3) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 28 para. 4(3)**
- F289** S. 172B(7A)(7B) inserted (21.7.2008) (with effect in accordance with Sch. 28 para. 15(3) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 28 para. 4(5)**
- F290** Words in s. 172B(7A) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), **Sch. 4 para. 10(3)**
- F291** Words in s. 172B(7A) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 12**
- F292** Words in s. 172B(7A)(a) substituted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 67(3)(a)**
- F293** Words in s. 172B(7A) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 10**
- F294** Words in s. 172B(7A)(b) substituted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 67(3)(b)**
- F295** Words in s. 172B(7B)(b) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), **Sch. 4 para. 10(4)**
- F296** S. 172B(8A) omitted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 67(4)**
- F297** S. 172B(9) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 1 para. 470** (with Sch. 2)

**F298 172B Increase in rights on death arising from alternatively secured pension fund etc**

.....

**Textual Amendments**

- F252** Ss. 172A-172D inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), **Sch. 10 paras. 38, 64(1)**
- F298** S. 172BA omitted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 68**

**172C Allocation of unallocated employer contributions**

- (1) This section applies if—
  - (a) contributions are paid under a registered pension scheme by an employer otherwise than in respect of any individual,
  - (b) in any tax year any of the contributions become held for the purposes of the provision of benefits to or in respect of a member of the pension scheme under any relevant arrangement or arrangements (“the allocated contributions”),
  - (c) the amount of the allocated contributions exceeds the permitted maximum, and
  - (d) the member and the employer, or the member and any person connected with the employer at any time during the tax year, are connected persons at any time during the tax year.
- (2) An arrangement is a relevant arrangement if it is—
  - (a) a money purchase arrangement that is not a cash balance arrangement, or
  - (b) a hybrid arrangement under which the benefits that may be provided to or in respect of the member are, or include, money purchase benefits other than cash balance benefits.
- (3) “The permitted maximum” is—

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- (a) the maximum amount of relief to which the member is entitled under section 188 (relief for contributions) in respect of relievable pension contributions paid during the tax year (see section 190), less
  - (b) the amount of any contributions paid by employers under any registered pension scheme in respect of the member in the tax year.
- (4) But if the member is also a member of one or more other registered pension schemes, the permitted maximum in relation to each of the registered pension schemes of which he is a member is—

PMN

where—

PM is the amount arrived at under subsection (3), and

N is the number of registered pension schemes of which he is a member.

- (5) The pension scheme is to be treated as making an unauthorised payment to the member (or to the member's personal representatives).
- (6) The amount of the unauthorised payment is the amount by which the amount of the allocated contributions exceeds the permitted maximum.
- [<sup>F299</sup>(7) For the purposes of this section whether a person is connected with another person is determined in accordance with section 993 of ITA 2007.]

#### Textual Amendments

**F252** Ss. 172A-172D inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 38, 64\(1\)](#)

**F299** S. 172C(7) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), [s. 1034\(1\)](#), [Sch. 1 para. 471](#) (with [Sch. 2](#))

### 172D Limit on increase in benefits

- (1) This section applies where, at any time during any pension input period in respect of a relevant arrangement relating to a member of an occupational pension scheme that is a registered pension scheme, the member and—
  - (a) a sponsoring employer, or
  - (b) a person connected with a sponsoring employer.
 are connected persons.
- (2) If—
  - (a) the pension input amount for the pension input period in respect of the relevant arrangement, exceeds
  - (b) the notional unconnected person input amount for the pension input period in respect of the relevant arrangement,
 the pension scheme is to be treated as making an unauthorised payment to the member (or to the member's personal representatives) of an amount equal to the excess.
- (3) A relevant arrangement is an arrangement under the pension scheme that is—
  - (a) a defined benefits arrangement,
  - (b) a cash balance arrangement, or



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- (c) a hybrid arrangement under which the benefits that may be provided to or in respect of the member are, or include, defined benefits or cash balance benefits.
- (4) The pension input amount for a pension input period in respect of the relevant arrangement is to be determined in accordance with—
- (a) sections 230 to 232 if the relevant arrangement is a cash balance arrangement,
  - (b) sections 234 to <sup>F300</sup>236A] if it is a defined benefits arrangement, and
  - (c) section 237 if it is a hybrid arrangement,
- treating references in those sections to the individual as to the member and treating section 237 as if the references to input amount B were omitted.
- (5) The notional unconnected person input amount for the pension input period in respect of the relevant arrangement is what the pension input amount, as so determined, would have been if the member were connected with—
- (a) a sponsoring employer, or
  - (b) a person connected with a sponsoring employer,
- at no time during the pension input period.
- <sup>F301</sup>(6) For the purposes of this section whether a person is connected with another person is determined in accordance with section 993 of ITA 2007.]]

#### Textual Amendments

**F252** Ss. 172A-172D inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 38, 64\(1\)](#)

**F300** Word in s. 172D(4)(b) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 2](#)

**F301** S. 172D(6) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 472](#) (with [Sch. 2](#))

## 173 Benefits

- (1) A registered pension scheme is to be treated as having made an unauthorised payment to a <sup>F302</sup>person who is or has been a] member of the pension scheme if an asset held for the purposes of the pension scheme is used to provide a benefit (other than a payment) to—
- (a) the <sup>F303</sup>person], or
  - (b) a member of the <sup>F304</sup>person's] family or household.
- (2) If the benefit is received by reason of an employment which is not <sup>F305</sup>lower-paid employment as a minister of religion], subsection (1) does not apply.
- (3) If the benefit is received by reason of <sup>F306</sup>an employment which is lower-paid employment as a minister of religion], subsection (1) only applies if—
- (a) it is a benefit to which Chapter 6 or 10 of the benefits code (cars and vans, and benefits not dealt with elsewhere in benefits code) would apply if the employment were not <sup>F307</sup>lower-paid employment as a minister of religion],
  - (b) the pension scheme is an occupational pension scheme, and
  - (c) the <sup>F308</sup>person], or a member of the <sup>F309</sup>person's] family or household, is a director of, and has a material interest in, a sponsoring employer.

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- (4) A registered pension scheme is to be treated as having made an unauthorised payment in respect of a [<sup>F310</sup>person who is or has been a] member of the pension scheme if, after the [<sup>F311</sup>person's] death, an asset held for the purposes of the pension scheme is used to provide a benefit (other than a payment) to a person who, at the date of the [<sup>F311</sup>person's] death, was a member of the [<sup>F311</sup>person's] family or household.
- (5) The person who receives the benefit is to be treated as having received the unauthorised payment.
- (6) If the benefit is received by reason of an employment which is not [<sup>F312</sup>lower-paid employment as a minister of religion], subsections (4) and (5) do not apply.
- (7) If the benefit is received by reason of [<sup>F313</sup>an employment which is lower-paid employment as a minister of religion], subsections (4) and (5) only apply if—
- (a) paragraphs (a) and (b) of subsection (3) apply, and
  - (b) at the date of the [<sup>F314</sup>person's] death the [<sup>F315</sup>person], or a member of the [<sup>F314</sup>person's] family or household, was a director of, and had a material interest in, a sponsoring employer.
- [<sup>F316</sup>(7A) This section does not apply if—
- (a) the pension scheme is an investment-regulated pension scheme, and
  - (b) the asset consists of taxable property.]
- (8) The amount of an unauthorised payment treated as having been made by this section—
- (a) in relation to such benefits, and in such circumstances, as may be prescribed by regulations made by the Board of Inland Revenue, is an amount determined in accordance with the regulations, and
  - (b) otherwise, is the amount which would be the cash equivalent of the benefit under the benefits code if the benefit were received by reason of an employment and the benefits code applied to it.
- (9) For the purposes of subsection (8)—
- (a) references in the benefits code to the employee are to be treated as references to the [<sup>F317</sup>person who is or has been a] member, and
  - (b) references in the benefits code to the employer are to be treated as references to the pension scheme.
- (10) In this section—
- “the benefits code” has the meaning given by section 63(1) of ITEPA 2003,  
“director” has the meaning given by section 67 of that Act,  
[<sup>F318</sup>“lower-paid employment as a minister of religion” has the meaning given by section 290D of that Act,] and  
“material interest” has the meaning given by section 68 of that Act.
- (11) Section 721 of ITEPA 2003 applies for the purposes of determining the members of a person’s family or household.

#### Textual Amendments

**F302** Words in s. 173(1) inserted (retrospective to 6.4.2006) by Finance Act 2006 (c. 25), s. 161(2), Sch. 23 para. 8(2)(a)

**F303** Word in s. 173(1) substituted (retrospective to 6.4.2006) by Finance Act 2006 (c. 25), s. 161(2), Sch. 23 para. 8(2)(b)

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- F304** Word in s. 173(1) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 8\(2\)\(c\)](#)
- F305** Words in s. 173(2) substituted (with effect in accordance with s. 13(4) of the amending Act) by [Finance Act 2015 \(c. 11\), Sch. 1 para. 25\(2\)](#)
- F306** Words in s. 173(3) substituted (with effect in accordance with s. 13(4) of the amending Act) by [Finance Act 2015 \(c. 11\), Sch. 1 para. 25\(3\)\(a\)](#)
- F307** Words in s. 173(3)(a) substituted (with effect in accordance with s. 13(4) of the amending Act) by [Finance Act 2015 \(c. 11\), Sch. 1 para. 25\(3\)\(b\)](#)
- F308** Word in s. 173(3) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 8\(3\)\(a\)](#)
- F309** Word in s. 173(3) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 8\(3\)\(b\)](#)
- F310** Words in s. 173(4) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 8\(4\)\(a\)](#)
- F311** Word in s. 173(4) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 8\(4\)\(b\)](#)
- F312** Words in s. 173(6) substituted (with effect in accordance with s. 13(4) of the amending Act) by [Finance Act 2015 \(c. 11\), Sch. 1 para. 25\(4\)](#)
- F313** Words in s. 173(7) substituted (with effect in accordance with s. 13(4) of the amending Act) by [Finance Act 2015 \(c. 11\), Sch. 1 para. 25\(5\)](#)
- F314** Word in s. 173(7)(b) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 8\(5\)\(a\)](#)
- F315** Word in s. 173(7)(b) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 8\(5\)\(b\)](#)
- F316** S. 173(7A) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 158\(2\), Sch. 21 para. 4](#)
- F317** Words in s. 173(9)(a) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 8\(6\)](#)
- F318** Words in s. 173(10) substituted (with effect in accordance with s. 13(4) of the amending Act) by [Finance Act 2015 \(c. 11\), Sch. 1 para. 25\(6\)](#)

#### Commencement Information

- I26** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 174 Value shifting

- (1) A registered pension scheme is to be treated as having made an unauthorised payment to a [<sup>F319</sup>person who is or has been a] member of the pension scheme if, in connection with any of the events mentioned in subsection (3) or a change in the value of a currency—
- the value of an asset held for the purposes of the pension scheme is reduced or a liability of the pension scheme is increased, and
  - the value of an asset held by or for the benefit of the [<sup>F320</sup>person] is increased, a liability of the [<sup>F320</sup>person] is reduced, or a liability of another person is reduced for the benefit of the [<sup>F320</sup>person].
- (2) But if the event or the change in the value of the currency occurs after the [<sup>F321</sup>person's] death—
- the pension scheme is to be treated as having made an unauthorised payment in respect of the [<sup>F322</sup>person] (rather than to the [<sup>F322</sup>person]), and

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- (b) the person who holds the asset or is subject to the liability in relation to which subsection (1)(b) is satisfied is to be treated as having received the unauthorised payment.
- (3) The events are—
- (a) the creation, alteration, release or extinction of any power, right, option or liability relating to assets held for the purposes of the pension scheme (whether or not provided for in the terms on which the asset is acquired or held),
  - (b) the creation, alteration, release or extinction of any power, right or option relating to a liability of the pension scheme (whether or not provided for in the terms on which the liability is incurred),
  - (c) the exercise of, or failure to exercise, any power, right or option in relation to assets held for the purposes of the pension scheme or a liability of the pension scheme, or
  - (d) the exercise of, or failure to exercise, any power, right or option which constitutes an asset held for the purposes of the pension scheme,
- in a way which differs from that which might be expected if the parties to the transaction were at arm's length.
- (4) The amount of the unauthorised payment is the amount by which the reduction in value of the asset held for the purposes of the pension scheme, or the increase in the liability of the pension scheme, exceeds that which might be expected if the parties to the transaction were at arm's length.
- (5) Regulations made by the Board of Inland Revenue may make provision as to how the excess is to be calculated in relation to events of a description specified in the regulations (including provision as to the times at which the asset or liability is to be valued).

#### Textual Amendments

- F319** Words in s. 174(1) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 9\(2\)\(a\)](#)
- F320** Word in s. 174(1) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 9\(2\)\(b\)](#)
- F321** Word in s. 174(2) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 9\(3\)\(a\)](#)
- F322** Word in s. 174(2) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 9\(3\)\(b\)](#)

#### Commencement Information

- I27** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### [<sup>F323</sup>174A] Taxable property held by investment-regulated pension schemes

- (1) An investment-regulated pension scheme is to be treated as making an unauthorised payment to a member of the pension scheme if—
- (a) the pension scheme acquires an interest in taxable property, and
  - (b) the interest is held by the pension scheme for the purposes of an arrangement under the pension scheme relating to the member.

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- (2) An investment-regulated pension scheme is to be treated as making an unauthorised payment to a member of the pension scheme if—
  - (a) an interest in taxable property is held by the pension scheme for the purposes of an arrangement under the pension scheme relating to the member, and
  - (b) the property is improved.
- (3) An investment-regulated pension scheme is to be treated as making an unauthorised payment to a member of the pension scheme if—
  - (a) an interest in property which is not residential property is held by the pension scheme for the purposes of an arrangement under the pension scheme relating to the member, and
  - (b) the property is converted or adapted to become residential property.
- (4) Schedule 29A makes provision supplementing this section; and in that Schedule—
  - (a) Part 1 defines “investment-regulated pension scheme”,
  - (b) Part 2 defines “taxable property” (and “residential property”),
  - (c) Part 3 explains what it means to acquire, and to hold, an interest in taxable property, and
  - (d) Part 4 contains provision for calculating the amounts of unauthorised payments treated as made by this section and explains when the unauthorised payments are treated as made.]

#### Textual Amendments

**F323** S. 174A inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 158(2), [Sch. 21 para. 5](#)

### *Authorised employer payments*

#### **175 Authorised employer payments**

The only payments which a registered pension scheme that is an occupational pension scheme is authorised to make to or in respect of a [<sup>F324</sup>person who is or has been a] sponsoring employer are—

- (a) public service scheme payments (see section 176),
- (b) authorised surplus payments (see section 177),
- (c) compensation payments (see section 178),
- (d) authorised employer loans (see section 179),
- (e) scheme administration employer payments (see section 180), and
- (f) payments of a description prescribed by regulations made by the Board of Inland Revenue.

#### Textual Amendments

**F324** Words in s. 175 inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 10](#)

#### Modifications etc. (not altering text)

**C43** Ss. 175-181 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, [15](#)

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#### Commencement Information

- I28** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### 176 Public service scheme payment

A payment is a public service scheme payment if—

- (a) it is made by a public service pension scheme, and
- (b) it is not of a description prescribed by regulations made by the Board of Inland Revenue.

#### Modifications etc. (not altering text)

- C43** Ss. 175-181 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **15**

#### Commencement Information

- I29** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### 177 Authorised surplus payment

For the purposes of this Part a payment is an authorised surplus payment if it is of a description prescribed by regulations made by the Board of Inland Revenue.

#### Modifications etc. (not altering text)

- C43** Ss. 175-181 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **15**

#### Commencement Information

- I30** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### 178 Compensation payments

A payment is a compensation payment if it is made in respect of a member's liability to a sponsoring employer in respect of a criminal, fraudulent or negligent act or omission by the member.

#### Modifications etc. (not altering text)

- C43** Ss. 175-181 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **15**

#### Commencement Information

- I31** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*Status: Point in time view as at 06/04/2021.*

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## 179 Authorised employer loan

- (1) A loan made to or in respect of a [<sup>F325</sup>person who is or has been a] sponsoring employer is an authorised employer loan if—
  - (a) the amount loaned does not exceed an amount equal to 50% of the aggregate of the amount of the sums, and the market value of the assets, held for the purposes of the pension scheme immediately before the loan is made,
  - (b) the loan is secured by a charge which is of adequate value, and
  - (c) the repayment terms comply with subsection (2).
- (2) The repayment terms comply with this subsection if—
  - (a) the rate of interest payable on the loan is not less than the rate prescribed by regulations made by the Board of Inland Revenue,
  - (b) the loan repayment date is before the end of the period of five years beginning with the date on which the loan is made, or has been postponed to a date after the end of that period under subsection (3), and
  - (c) the amount payable in each period beginning with the date on which the loan is made, and ending with the last day of a loan year, is not less than the required amount.
- (3) If on a standard loan repayment date any amount (including interest) is owing, the loan repayment date may be postponed to a date before the end of the period of five years beginning with the standard loan repayment date.
- (4) The loan repayment date may be postponed under subsection (3) only once.
- (5) If the amount of a loan to or in respect of a [<sup>F326</sup>person who is or has been a] sponsoring employer is increased, the amount of the increase is to be treated as a loan made on the date of the increase.
- (6) Schedule 30 gives the meaning of expressions used in this section and explains how to calculate the amount of the unauthorised payment when a loan to or in respect of a [<sup>F327</sup>person who is or has been a] sponsoring employer does not comply with subsection (1).
- (7) In this section and that Schedule “charge” includes a right in security or an agreement to create a right in security; and any reference to assets subject to a charge or assets charged includes a reference to the property over which such a right is granted.
- (8) Schedule 36 contains (in Part 4) transitional provision about loans to sponsoring employers.

### Textual Amendments

**F325** Words in s. 179(1) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 11](#)

**F326** Words in s. 179(5) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 11](#)

**F327** Words in s. 179(6) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 11](#)

### Modifications etc. (not altering text)

**C43** Ss. 175-181 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\), regs. 1, 15](#)

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### Commencement Information

**I32** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 180 Scheme administration employer payments

- (1) A “scheme administration employer payment” is a payment made—
  - (a) by a registered pension scheme that is an occupational pension scheme, and
  - (b) to or in respect of a [<sup>F328</sup>person who is or has been a] sponsoring employer, for the purposes of the administration or management of the pension scheme.
- (2) But if a payment falling within subsection (1) exceeds the amount which might be expected to be paid to a person who was at arm’s length, the excess is not a scheme administration employer payment.
- (3) Scheme administration employer payments include in particular—
  - (a) the payment of wages, salaries or fees to persons engaged in administering the pension scheme, and
  - (b) payments made for the purchase of assets to be held for the purposes of the pension scheme.
- (4) A loan to or in respect of a [<sup>F329</sup>person who is or has been a] sponsoring employer is not a scheme administration employer payment.
- (5) Payments made to acquire shares in a sponsoring employer are not scheme administration employer payments if, when the payment is made—
  - (a) the market value of shares in the sponsoring employer held for the purposes of the pension scheme is equal to or greater than 5% of the aggregate of the amount of the sums, and the market value of the assets, held for the purposes of the pension scheme, or
  - (b) the total market value of shares in sponsoring employers held for the purposes of the pension scheme is equal to or greater than 20% of the aggregate of the amount of the sums, and the market value of the assets, held for the purposes of the pension scheme.
- (6) Regulations made by the Board of Inland Revenue may provide that payments of a description specified in the regulations are, or are not, scheme administration employer payments.

### Textual Amendments

**F328** Words in s. 180(1) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 12](#)

**F329** Words in s. 180(4) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 12](#)

### Modifications etc. (not altering text)

**C43** Ss. 175-181 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, [15](#)

**C44** S. 180 modified (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Finance Act 2004, Section 180\(5\) \(Modification\) Regulations 2012 \(S.I. 2012/1258\)](#), regs. 1, [2](#)



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### Commencement Information

- I33** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## *Unauthorised employer payments*

### 181 Value shifting

- (1) A registered pension scheme that is an occupational pension scheme is to be treated as having made an unauthorised payment to a [<sup>F330</sup>person who is or has been a] sponsoring employer if, in connection with any of the events mentioned in subsection (2) or a change in the value of a currency—
- (a) the value of an asset held for the purposes of the pension scheme is reduced or a liability of the pension scheme is increased, and
  - (b) the value of an asset held by or for the benefit of the [<sup>F331</sup>person] is increased, a liability of the [<sup>F331</sup>person] is reduced, or a liability of another person is reduced for the benefit of the [<sup>F331</sup>person].
- (2) The events are—
- (a) the creation, alteration, release or extinction of any power, right, option or liability relating to assets held for the purposes of the pension scheme (whether or not provided for in the terms on which the asset is acquired or held),
  - (b) the creation, alteration, release or extinction of any power, right or option relating to a liability of the pension scheme (whether or not provided for in the terms on which the liability is incurred),
  - (c) the exercise of, or failure to exercise, any power, right or option in relation to assets held for the purposes of the pension scheme or a liability of the pension scheme, or
  - (d) the exercise of, or failure to exercise, any power, right or option which constitutes an asset held for the purposes of the pension scheme,
- in a way which differs from that which might be expected if the parties to the transaction were at arm's length.
- (3) The amount of the unauthorised payment is the amount by which the reduction in value of the asset held for the purposes of the pension scheme, or the increase in the liability of the pension scheme, exceeds that which might be expected if the parties to the transaction were at arm's length.
- (4) Regulations made by the Board of Inland Revenue may make provision as to how the excess is to be calculated in relation to events of a description specified in the regulations (including provision as to the times at which the asset or liability is to be valued).

### Textual Amendments

- F330** Words in s. 181(1) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 13\(a\)](#)
- F331** Word in s. 181(1) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 13\(b\)](#)

*Status: Point in time view as at 06/04/2021.*

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#### Modifications etc. (not altering text)

**C43** Ss. 175-181 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, 15

#### Commencement Information

**I34** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*[<sup>F332</sup>Alternatively secured pensions]*

#### Textual Amendments

**F332** S. 181A and cross-heading inserted (19.7.2007) (with effect in accordance with Sch. 19 para. 29(2) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 19 para. 14](#)

### <sup>F333</sup>181A Minimum level of payment

.....

#### Textual Amendments

**F333** S. 181A omitted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 69](#)

### *Borrowing*

#### 182 Unauthorised borrowing: money purchase arrangements

- (1) A registered pension scheme is not authorised to borrow an amount in respect of a money purchase arrangement unless the arrangement borrowing condition is met.
- (2) The arrangement borrowing condition is met if—

$$\left( APB + PB \right) < \frac{VA}{2}$$

where—

APB is the aggregate of the amounts previously borrowed in respect of the arrangement (excluding any amounts which have been repaid),

PB is the amount proposed to be borrowed in respect of the arrangement, and

VA is the value of the arrangement.

- (3) The value of the arrangement is the aggregate of—
  - (a) the amount of such of the sums and the market value of such of the assets as represent the [<sup>F334</sup>member's drawdown pension fund] in respect of the arrangement (if any),

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- [<sup>F335</sup>(aa) the amount of such of the sums and the market value of such of the assets as represent the member's flexi-access drawdown fund in respect of the arrangement (if any),]
  - (b) the amount of such of the sums and the market value of such of the assets as represent [<sup>F336</sup>dependants' drawdown pension funds][<sup>F337</sup>or dependants' flexi-access drawdown funds] in respect of the arrangement (if any),
  - [<sup>F338</sup>(ba) the amount of such of the sums and the market value of such of the assets as represent nominees' flexi-access drawdown funds in respect of the arrangement (if any),
  - (bb) the amount of such of the sums and the market value of such of the assets as represent successors' flexi-access drawdown funds in respect of the arrangement (if any),]
  - (c) the aggregate of the value of each scheme pension or dependants' scheme pension payable in respect of the arrangement, and
  - (d) the value of the uncrystallised rights under the arrangement.
- (4) The value of a scheme pension or dependants' scheme pension payable in respect of the arrangement is—

$$RVF \times ARP$$

where—

RVF is the relevant valuation factor (see section 276), and

ARP is the annual rate at which the pension is payable.

- (5) Rights are uncrystallised if no-one has become entitled to the present payment of benefits in respect of the rights; and a person is to be treated as entitled to the present payment of benefits in respect of the sums and assets representing the person's [<sup>F339</sup>drawdown pension fund][<sup>F340</sup>or the person's flexi-access drawdown fund].
- (6) If the arrangement is a cash balance arrangement, the value of the uncrystallised rights under the arrangement is the amount which would, on the valuation assumptions (see section 277), be available for the provision of benefits in respect of those rights if a person became entitled to benefits in respect of those rights.
- (7) If the arrangement is a money purchase arrangement other than a cash balance arrangement, the value of the uncrystallised rights under the arrangement is the aggregate of the amount of such of the sums, and the market value of such of the assets, held for the purposes of the arrangement as represent those rights.
- (8) If the arrangement is a hybrid arrangement under which either cash balance benefits or other money purchase benefits (but not defined benefits) may be provided, the value of the uncrystallised rights under the arrangement is the greater of—
  - (a) their value calculated under subsection (6) (on the assumption that cash balance benefits are provided), and
  - (b) their value calculated under subsection (7) (on the assumption that other money purchase benefits are provided).

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### Textual Amendments

- F334** Words in s. 182(3)(a) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 70\(2\)\(a\)](#)
- F335** S. 182(3)(aa) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 11\(a\)](#)
- F336** Words in s. 182(3)(b) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 70\(2\)\(b\)](#)
- F337** Words in s. 182(3)(b) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 11\(b\)](#)
- F338** S. 182(3)(ba)(bb) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 13](#)
- F339** Words in s. 182(5) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 70\(3\)](#)
- F340** Words in s. 182(5) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 12](#)

### Modifications etc. (not altering text)

- C45** Ss. 182-185 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), [regs. 1, 16](#)
- C46** S. 182 modified (retrospective to 6.4.2011) by [Finance Act 2011 \(c. 11\)](#), [s. 68\(2\)\(6\)](#)
- C47** S. 182 restricted (retrospective to 6.4.2011) by [Finance Act 2011 \(c. 11\)](#), [s. 68\(1\)\(6\)](#)

### Commencement Information

- I35** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 183 Effect of unauthorised borrowing: money purchase arrangements

- (1) Subsection (2) applies if a registered pension scheme borrows in respect of a money purchase arrangement an amount which it is not authorised to borrow under section 182.
- (2) The pension scheme is to be treated as having made a scheme chargeable payment—
  - (a) if subsection (3) applies, of an amount calculated in accordance with subsection (4), and
  - (b) otherwise, of the amount borrowed.
- (3) This subsection applies if, immediately before the amount is borrowed—

$$APB < \frac{VA}{2}$$

- (4) If subsection (3) applies, the amount of the scheme chargeable payment is—

$$APB + AB - \frac{VA}{2}$$

- (5) In subsections (3) and (4)—
 

APB is the aggregate of the amounts previously borrowed in respect of the arrangement (excluding any amounts which have been repaid),

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AB is the amount borrowed, and  
VA is the value of the arrangement, calculated in accordance with section 182(3), immediately before the amount is borrowed.

**Modifications etc. (not altering text)**

**C45** Ss. 182-185 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, 16

**C48** S. 183 modified (retrospective to 6.4.2011) by [Finance Act 2011 \(c. 11\)](#), s. 68(2)(6)

**Commencement Information**

**I36** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

**184 Unauthorised borrowing: other arrangements**

- (1) A registered pension scheme is not authorised to borrow an amount in respect of any arrangement which is not a money purchase arrangement unless the scheme borrowing condition is met.
- (2) The scheme borrowing condition is met if—

$$(APB + PB) < \frac{AARA}{2}$$

where—

APB is the aggregate of the amounts previously borrowed by the pension scheme in respect of arrangements which are not money purchase arrangements (excluding any amounts which have been repaid),

PB is the amount proposed to be borrowed by the pension scheme, and

AARA is the aggregate amount of the relevant sums and assets.

- (3) The aggregate amount of the relevant sums and assets is the aggregate of—
  - (a) the amount of the sums held for the purposes of such of the arrangements under the pension scheme as are not money purchase arrangements, and
  - (b) the market value of the assets held for the purposes of such of the arrangements under the pension scheme as are not money purchase arrangements.

**Modifications etc. (not altering text)**

**C45** Ss. 182-185 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, 16

**Commencement Information**

**I37** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*Status: Point in time view as at 06/04/2021.*

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## 185 Effect of unauthorised borrowing: other arrangements

- (1) Subsection (2) applies if a registered pension scheme borrows, in respect of an arrangement which is not a money purchase arrangement, an amount which it is not authorised to borrow under section 184.
- (2) The pension scheme is to be treated as having made a scheme chargeable payment—
  - (a) if subsection (3) applies, of an amount calculated in accordance with subsection (4), and
  - (b) otherwise, of the amount borrowed.
- (3) This subsection applies if, immediately before the amount is borrowed—

$$APB < \frac{AARA}{2}$$

- (4) If subsection (3) applies, the amount of the scheme chargeable payment is—

$$APB + AB - \frac{AARA}{2}$$

- (5) In subsections (3) and (4)—
 

APB is the aggregate of the amounts previously borrowed by the pension scheme in respect of arrangements which are not money purchase arrangements (excluding any amounts which have been repaid),

AB is the amount borrowed, and

AARA is the aggregate amount of the relevant sums and assets, calculated in accordance with section 184(3), immediately before the amount is borrowed.

### Modifications etc. (not altering text)

**C45** Ss. 182-185 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **16**

### Commencement Information

**I38** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*<sup>F341</sup>Income and gains from taxable property*

### Textual Amendments

**F341** Ss. 185A-185I and cross-heading inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 158(2), **Sch. 21 para. 6**

*Status: Point in time view as at 06/04/2021.*

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## 185A Income from taxable property

- (1) An investment-regulated pension scheme is to be treated as having made a scheme chargeable payment if the pension scheme holds an interest in taxable property in a tax year.
- (2) The amount of the scheme chargeable payment depends on whether a person who holds the interest in the property directly receives profits arising from the interest in the tax year.
- (3) If a person who holds the interest in the property directly receives such profits in the tax year, the amount of the scheme chargeable payment is the greater of—
  - (a) an amount equal to the amount of the annual profits from the interest in the property (see section 185B(1)), and
  - (b) the amount of the deemed profits from the interest in the property for the year (see sections 185B(2) and 185C).
- (4) If no person who holds the interest in the property directly receives such profits in the tax year, the amount of the scheme chargeable payment is the amount of the deemed profits from the interest in the property for the year (see sections 185B(2) and 185C).
- (5) But where section 185D applies, the amount of the scheme chargeable payment is the amount found under subsection (3) or (4) as apportioned to the pension scheme in accordance with that section.
- (6) Section 185E makes provision for credits against income tax charged under section 239 (scheme sanction charge) in respect of a scheme chargeable payment treated as made by virtue of this section.

### Modifications etc. (not altering text)

**C49** Ss. 185A-185I restricted by S.I. 2006/207, reg. 4B (as inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\)\(Amendment\) Regulations 2006 \(S.I. 2006/1960\)](#), reg. 9)

## 185B Annual profits and deemed profits

- (1) For the purposes of section 185A(3) the amount of the annual profits from the interest in the property is the total amount of profits received from the interest in the tax year—
  - (a) by each person who holds the interest directly, and
  - (b) at a time when the property is scheme-held taxable property.
- (2) For the purposes of section 185A(3) and (4) the amount of the deemed profits from the interest in the property for the tax year is—

$$DMV10 \times DTPDY$$

where—

DMV is the deemed market value of the interest in the property for the year (see section 185C),

DTP is the number of days in the year for which the property is scheme-held taxable property, and

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DY is the number of days in the year.

- (3) In this Part “scheme-held taxable property” means property—
- (a) which is taxable property, and
  - (b) an interest in which is held by the pension scheme.

**Modifications etc. (not altering text)**

**C49** Ss. 185A-185I restricted by S.I. 2006/207, reg. 4B (as inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\)\(Amendment\) Regulations 2006 \(S.I. 2006/1960\)](#), reg. 9)

**185C Deemed market value**

- (1) For the purposes of section 185B(2), where no person who holds the interest in the property directly during the tax year does so by virtue of a lease of residential property, the deemed market value of the interest for the year is—

$$(MV+UP)\times(1+RPI)$$

where—

MV is the opening market value (see subsection (2)),

UP is the total of any unauthorised payments treated as made by the pension scheme under section 174A in relation to the property in the tax year, other than any such payment treated as made by virtue of the property becoming scheme-held taxable property in the year, and

RPI is the figure expressed as a decimal which represents the percentage increase in the retail prices index between the first day in the tax year on which the property is scheme-held taxable property and the last such day (or, if there is no such increase, is nil).

- (2) In subsection (1) “the opening market value” means—
- (a) if the property is not scheme-held taxable property immediately before the beginning of the tax year, the market value of the interest in the property immediately after the time during the year when the property first becomes scheme-held taxable property, and
  - (b) otherwise, the deemed market value of the interest for the previous tax year.
- (3) For the purposes of section 185B(2), where a person who holds the interest in the property directly during the tax year does so by virtue of a lease of residential property, the deemed market value of the interest for the year is the relevant rental value of the property calculated in accordance with paragraph 34 of Schedule 29A on the following assumptions—
- (a) that the lease was granted when the property first became scheme-held taxable property;
  - (b) that the term of the lease is 50 years;
  - (c) that a fully commercial rent is payable for the first five years of that term;
  - (d) that afterwards the rent is reviewed on an upwards-only basis.



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**Modifications etc. (not altering text)**

- C49** Ss. 185A-185I restricted by S.I. 2006/207, reg. 4B (as inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\)\(Amendment\) Regulations 2006 \(S.I. 2006/1960\)](#), reg. 9)

**185D Apportionment to pension scheme**

- (1) This section applies where the pension scheme holds the interest in the property indirectly for the whole of the period in the tax year for which the property is scheme-held taxable property.
- (2) The amount that would otherwise be the amount of the scheme chargeable payment is to be apportioned to the pension scheme by applying paragraphs 41 to 43 of Schedule 29A to it as if it were the total taxable amount in relation to an unauthorised payment treated as made—
  - (a) by the pension scheme,
  - (b) in connection with the acquisition of the interest in the property, and
  - (c) at the end of the last day in the tax year on which the property is scheme-held taxable property.
- (3) But where—
  - (a) the amount found in relation to the pension scheme on the day mentioned in paragraph (c) of subsection (2), differs from
  - (b) the amount that would be found in relation to the pension scheme under that subsection on another day in the tax year on which the property is scheme-held taxable property,

the amount to be apportioned to the pension scheme under this section is the average of the amounts produced by applying subsection (2) in relation to the pension scheme on each day in the tax year on which the property is scheme-held taxable property.

**Modifications etc. (not altering text)**

- C49** Ss. 185A-185I restricted by S.I. 2006/207, reg. 4B (as inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\)\(Amendment\) Regulations 2006 \(S.I. 2006/1960\)](#), reg. 9)

**185E Credit for tax paid**

- (1) This section applies where—
  - (a) the pension scheme holds the interest in the property indirectly in the tax year,
  - (b) a person who holds the interest directly receives profits arising from the interest at a time in the tax year when the property is scheme-held taxable property,
  - (c) tax is payable on those profits by that person (assuming them to be the highest part of the person's income for the tax year in which they are received), and
  - (d) that tax has been paid.
- (2) The amount determined under subsection (3) is to be allowed as a credit against any income tax charged under section 239 in respect of the scheme chargeable payment

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treated as made by virtue of the pension scheme holding the interest in the property in the tax year.

- (3) That amount is a proportion of the tax payable and paid determined by reference to the proportion of the amount that would otherwise be the amount of the scheme chargeable payment that is apportioned to the pension scheme under section 185D.
- (4) Where—
- (a) by virtue of this section an amount is allowed as a credit against income tax charged under section 239, and
  - (b) the amount of tax payable and paid by reference to which the amount of the credit was calculated is subsequently varied,
- the amount of the credit is to be varied accordingly, and any necessary adjustments are to be made to give effect to the variation (whether by making assessments or otherwise).

**Modifications etc. (not altering text)**

**C49** Ss. 185A-185I restricted by S.I. 2006/207, reg. 4B (as inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\)\(Amendment\) Regulations 2006 \(S.I. 2006/1960\)](#), reg. 9)

**185F Gains from taxable property**

- (1) An investment-regulated pension scheme is to be treated as having made a scheme chargeable payment where—
- (a) in a tax year the pension scheme holds an interest in property which is taxable property or which has been taxable property at any time whilst the interest has been held by the pension scheme (a “taxable interest”),
  - (b) a gain is treated as accruing to the pension scheme in respect of the taxable interest in the tax year, and
  - (c) the total amount of gains treated as accruing to the pension scheme in respect of taxable interests in the tax year exceeds the total amount of losses treated as accruing to the pension scheme in respect of taxable interests in the tax year.
- (2) The amount of the scheme chargeable payment is an amount equal to the difference between—
- (a) the total amount of gains treated as accruing to the pension scheme in respect of taxable interests in the tax year, and
  - (b) the total amount of losses treated as accruing to the pension scheme in respect of taxable interests in the tax year,
- (but this is subject to section 185G(10)).
- (3) A gain or loss is treated as accruing to a pension scheme in respect of a taxable interest in a tax year if—
- (a) by virtue of section 185G a chargeable gain or allowable loss is treated for the purposes of this section as accruing in the tax year to the person who holds the taxable interest directly, or
  - (b) in the tax year the pension scheme or another vehicle ceases to hold all or part of an interest in a vehicle through which the pension scheme holds the taxable interest indirectly (see section 185H).

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**Modifications etc. (not altering text)**

**C49** Ss. 185A-185I restricted by S.I. 2006/207, reg. 4B (as inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\)\(Amendment\) Regulations 2006 \(S.I. 2006/1960\)](#), reg. 9)

**185G Disposal by person holding directly**

- (1) For the purposes of this section the person (“the transferor”) who holds the taxable interest directly is to be treated as holding an asset (a “taxable asset”) consisting of the interest.
- (2) For the purpose of determining—
  - (a) whether the transferor disposes of the taxable asset,
  - (b) when such a disposal takes place, and
  - (c) whether a chargeable gain or allowable loss is treated for the purposes of section 185F as accruing to the transferor on a disposal of the taxable asset in a tax year and, if so, the amount of the chargeable gain or allowable loss,TCGA 1992 is to be treated as applying to the transferor and the taxable asset, but subject as follows.
- (3) TCGA 1992 is to be treated as applying as if—
  - (a) throughout the tax year the transferor were resident<sup>F342</sup>... and domiciled in the United Kingdom,
  - (b) no allowable losses accrued to the transferor in any previous tax year,
  - <sup>F343</sup>(c) .....
  - (d) notice under section 16(2A) (losses) of that Act were given by the transferor in relation to the year in respect of any loss treated as accruing to the transferor in the year from a disposal of the taxable asset,
  - (e) section 45(1) (wasting assets) of that Act did not apply to a disposal of the taxable asset,
  - (f) for the purposes of section 53 (indexation allowance) of that Act the transferor were not chargeable to corporation tax in respect of any chargeable gain accruing to the transferor from a disposal of the taxable asset,
  - (g) section 171(1) (transfers within a group) of that Act did not apply to a disposal of the taxable asset (so that no election could be made in relation to such a disposal under section 171A (notional transfers within a group) of that Act), and
  - (h) sections 222 to 224 (relief on disposal of private residence) of that Act did not apply to a gain on a disposal of the taxable asset by virtue of section 225 (private residence occupied under terms of settlement) of that Act.
- (4) Where the taxable asset became taxable property whilst held directly by the pension scheme, TCGA 1992 is to be treated as applying to a disposal of the asset as if—
  - (a) the asset had been acquired by the transferor at the time it became taxable property, and
  - (b) the amount deductible under section 38(1)(a) (consideration for acquisition of asset) of that Act in respect of the disposal were the amount of the unauthorised payment treated as made by the pension scheme at that time.

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- (5) Subsections (6) to (8) apply where the pension scheme holds the taxable asset indirectly.
- (6) TCGA 1992 is to be treated as applying to a disposal of the asset as if the amount deductible under section 38(1) of that Act in respect of the disposal were—
- (a) the total amount of unauthorised payments treated as made by the pension scheme in respect of the taxable asset up to the time of the disposal, less
  - (b) the amount found under paragraph (a) to the extent that it has already been taken into account in calculating the gains or losses accruing to the pension scheme in respect of the taxable asset by virtue of this section or section 185H.
- (7) The amount that would otherwise be the amount of the consideration for which the disposal is made (or treated as made) is to be scaled down by applying paragraphs 41 to 43 of Schedule 29A to it as if it were the total taxable amount in relation to an unauthorised payment treated as made—
- (a) by the pension scheme,
  - (b) in connection with the acquisition of the interest in the property which constitutes the taxable asset, and
  - (c) at the time of the disposal.
- (8) Subsection (6) is subject to section 42 of TCGA 1992 (part disposals); but in the application of that section in relation to the taxable asset the amount of the consideration for the disposal is to be taken to be that amount apart from subsection (7).
- (9) Where the taxable asset was not taxable property for the whole period beginning with—
- (a) the time when the pension scheme acquired the asset, or
  - (b) if later, the time when the asset first became taxable property,
- and ending with the disposal, the amount that would otherwise be the amount of any chargeable gain or allowable loss treated as accruing on a disposal of the asset is to be reduced by reference to the proportion of the period for which the asset was not taxable property.
- (10) Where—
- (a) the taxable asset is a wasting asset consisting of tangible moveable property, and
  - (b) by virtue of section 185F, a loss is treated as accruing to the pension scheme from a disposal of the asset in a tax year,
- the loss is only to be allowed as a deduction from any gains treated as accruing to the pension scheme by virtue of that section from other disposals in the year of taxable assets which are wasting assets consisting of tangible moveable property.

#### **Textual Amendments**

**F342** Words in s. 185G(3)(a) omitted (with effect in accordance with Sch. 46 para. 132 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 46 para. 120](#)

**F343** S. 185G(3)(c) omitted (21.7.2008) (with effect in accordance with Sch. 2 para. 56(3) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 2 para. 53](#)

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**Modifications etc. (not altering text)**

**C49** Ss. 185A-185I restricted by S.I. 2006/207, reg. 4B (as inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\)\(Amendment\) Regulations 2006 \(S.I. 2006/1960\)](#), reg. 9)

**185H Disposal of interest in vehicle**

- (1) This section applies for the purposes of section 185F where the pension scheme or another vehicle ceases to hold all or part of an interest in a vehicle through which the pension scheme holds the taxable interest indirectly.
- (2) The pension scheme is to be treated as disposing of the interest in the vehicle through which the pension scheme holds the taxable interest indirectly.
- (3) The amount of the gain or loss treated as accruing to the pension scheme on the disposal of the interest in the vehicle is the difference between—
  - (a) the deemed consideration received for the disposal of the interest, and
  - (b) the deemed consideration given for the interest.
- (4) The deemed consideration received for the disposal of the interest in the vehicle is the difference between—
  - (a) the market value of the taxable interest at the time of the disposal, apportioned to the pension scheme in accordance with subsection (5) immediately before that time, and
  - (b) the market value of the taxable interest at the time of the disposal, apportioned to the pension scheme in accordance with subsection (5) immediately after that time.
- (5) An amount mentioned in subsection (4) is to be apportioned to the pension scheme by applying paragraphs 41 to 43 of Schedule 29A to it as if it were the total taxable amount in relation to an unauthorised payment treated as made—
  - (a) by the pension scheme,
  - (b) in connection with the acquisition of the taxable interest, and
  - (c) at the time at which the amount is to be apportioned to the pension scheme in accordance with that subsection.
- (6) The deemed consideration given for the interest in the vehicle is—
  - (a) the total amount of unauthorised payments treated as made by the pension scheme in respect of the taxable interest up to the time of the disposal, less
  - (b) the amount found under paragraph (a) to the extent that it has already been taken into account in calculating the gains or losses accruing to the pension scheme in respect of the taxable interest by virtue of section 185G or this section.

**Modifications etc. (not altering text)**

**C49** Ss. 185A-185I restricted by S.I. 2006/207, reg. 4B (as inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\)\(Amendment\) Regulations 2006 \(S.I. 2006/1960\)](#), reg. 9)

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## **185I Credit for tax paid**

- (1) This section applies where by virtue of section 185F a pension scheme is to be treated as making a scheme chargeable payment which is to any extent attributable—
- (a) to a chargeable gain treated by virtue of section 185G as accruing to another person on a disposal of a taxable asset, or
  - (b) to a gain treated by virtue of section 185H as accruing to the pension scheme as a result of another person disposing of an interest in a vehicle through which the pension scheme holds a taxable interest indirectly.
- (2) Where—
- (a) tax is payable in respect of the disposal by the person who makes the disposal, and
  - (b) that tax has been paid,
- the amount determined under subsection (3) or (4) (as appropriate) is to be allowed as a credit against any income tax charged under section 239 in respect of the scheme chargeable payment.
- (3) In a case within paragraph (a) of subsection (1), that amount is a proportion of the amount of tax paid and payable determined by reference to the proportion of the amount of consideration for the disposal that is apportioned under section 185G(7).
- (4) In a case within paragraph (b) of subsection (1), that amount is the amount of tax paid and payable apportioned to the pension scheme by applying paragraphs 41 to 43 of Schedule 29A to it as if it were the total taxable amount in relation to an unauthorised payment treated as made—
- (a) by the pension scheme,
  - (b) in connection with an acquisition of the taxable interest by the person disposing of the interest in the vehicle, and
  - (c) at the time of the disposal.
- (5) Where—
- (a) by virtue of this section an amount is allowed as a credit against income tax charged under section 239, and
  - (b) the amount of tax payable and paid by reference to which the amount of the credit was calculated is subsequently varied,
- the amount of the credit is to be varied accordingly, and any necessary adjustments are to be made to give effect to the variation (whether by making assessments or otherwise).]

### **Modifications etc. (not altering text)**

**C49** Ss. 185A-185I restricted by S.I. 2006/207, reg. 4B (as inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\)\(Amendment\) Regulations 2006 \(S.I. 2006/1960\)](#), reg. 9)

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## *F<sup>344</sup>Repayments of lump sums*

### **Textual Amendments**

**F344** S. 185J and cross-heading inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 5 paras. 3, 15](#)

### **185J Effect of repayment of certain pre-6 April 2015 lump sums**

- (1) For the purposes of this Part—
  - (a) a lump sum to which this section applies is treated as never having been paid, and
  - (b) the payment by which it is repaid is treated as not being a payment.
- (2) This section applies to a lump sum if—
  - (a) the sum is paid by a registered pension scheme to a member of the scheme in respect of a money purchase arrangement,
  - (b) the sum is paid to the member in connection with a pension under the scheme to which it is expected that the member will become entitled (“the expected pension”),
  - (c) the expected pension is income withdrawal, a lifetime annuity or a scheme pension,
  - (d) the sum is paid before the member becomes entitled to the expected pension,
  - (e) either—
    - (i) the sum is paid on or after 19 September 2013 but before 6 April 2015, or
    - (ii) the sum is paid before 19 September 2013, a contract for a lifetime annuity is entered into to provide the expected pension, and on or after 19 March 2014 the contract is cancelled,
  - (f) before the member becomes entitled to the expected pension, the member repays the sum to the pension scheme that paid it, and
  - (g) the repayment is made before 6 October 2015.
- (3) For the purposes of subsection (2), if the circumstances are as described in subsection (2)(e)(ii), the member is treated as not having become entitled to the expected pension as a result of the cancelled contract having been entered into.]

## **CHAPTER 4**

### **REGISTERED PENSION SCHEMES: TAX RELIEFS AND EXEMPTIONS**

#### *Scheme investments*

### **186 Income**

- (1) No liability to income tax arises in respect of—
  - (a) income derived from investments or deposits held for the purposes of a registered pension scheme, or
  - (b) underwriting commissions applied for the purposes of a registered pension scheme <sup>F<sup>345</sup></sup> which are not relevant foreign income and which would otherwise

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be chargeable to income tax under Chapter 8 of Part 5 of ITTOIA 2005 (income not otherwise charged).]

- (2) The exemption provided by subsection (1) does not apply to income derived from investments or deposits held as a member of a property investment LLP; and for this purpose “income” includes relevant stock lending fees, in relation to any investments, to which subsection (1) would apply by virtue of section 129B of ICTA (inclusion of relevant stock lending fees in income).
- [<sup>F346</sup>(2A) The exemption provided by subsection (1) does not prevent the income from being charged to tax by virtue of section 185A.]
- (3) In this Part “investments”, in relation to a registered pension scheme, includes futures contracts and options contracts; and income derived from transactions relating to futures contracts or options contracts is to be treated as derived from the contracts.
- (4) For that purpose a contract is not prevented from being a futures contract or an options contract by the fact that a party is or may be entitled to receive or liable to make, or entitled to receive and liable to make, only a payment of a sum (as opposed to a transfer of assets) in full settlement of all obligations.

#### Textual Amendments

**F345** Words in s. 186(1)(b) substituted (6.4.2006) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), Sch. 1 para. 644, Sch. 2 para. 161 \(with Sch. 2\)](#)

**F346** S. 186(2A) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 158\(2\), Sch. 21 para. 7](#)

#### Modifications etc. (not altering text)

**C50** S. 186 applied (with modifications) (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\), regs. 1, 17](#)

#### Commencement Information

**I39** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 187 Chargeable gains

- (1) Section 271 of TCGA 1992 (exemptions) is amended as follows.
- (2) In paragraph (b) of subsection (1), for the words after “part of” substitute “ the Fund mentioned in section 613(4) of the Taxes Act (House of Commons Members' Fund); ”.
- (3) In subsection (1), omit—
- (a) paragraph (d) (retirement annuity contracts),
  - (b) paragraph (g) (exempt approved schemes),
  - (c) paragraph (h) (approved personal pension schemes), and
  - (d) paragraph (j) (authorised unit trusts which are also approved personal pension schemes or exempt approved schemes),
- and the second sentence.
- (4) After that subsection insert—



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“(1A) A gain accruing to a person on a disposal of investments held for the purposes of a registered pension scheme is not a chargeable gain.”

- (5) Omit subsection (2) (superannuation funds approved before 6th April 1980).
- (6) In subsection (10)—
  - (a) for “subsections (1)(g) and (h) and (2)” substitute “ subsection (1A) ”, and
  - (b) omit the words after “options contracts”.
- (7) In subsection (12), for “Subsection (1)(b), (c), (d), (g) and (h) and subsection (2)” substitute “ Subsections (1)(b) and (c) and (1A) ”.

**Commencement Information**

**I40** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*Members' contributions*

**188 Relief for contributions**

- (1) An individual who is an active member of a registered pension scheme is entitled to relief under this section in respect of relievable pension contributions paid during a tax year if the individual is a relevant UK individual for that year.
- (2) In this Part “relievable pension contributions”, in relation to an individual and a pension scheme, means contributions by or on behalf of the individual under the pension scheme other than contributions to which subsection (3) [<sup>F347</sup>or (3A)] applies.
- (3) This subsection applies to—
  - (a) any contributions paid after the individual has reached the age of 75,
  - [<sup>F348</sup>(aa) any contributions which are life assurance premium contributions (see section 195A),]
  - (b) any contributions paid by an employer of the individual (as to which see sections 196 to 201), <sup>F349</sup> ...
  - <sup>F349</sup>(c) .....
- [<sup>F350</sup>(3A) This subsection applies to a contribution if the contribution results from the transfer of property or money, or the payment of a sum, towards the pension scheme pursuant to a relevant order in a case where—
  - (a) section 266A (members' liability in respect of unauthorised member payments) applies, and
  - (b) relief is claimed under that section in respect of the liability mentioned in subsection (1)(a) of that section.
- (3B) In the case of a contribution which is greater than UMP (see section 266A(5)), subsection (3A) does not apply to the contribution so far as it is greater than UMP.
- (3C) In subsection (3A) “relevant order” means an order under any of the following—
  - (a) section 16(1), 19(4) or 21(2)(a) of the Pensions Act 2004 (orders for money etc to be restored to pension schemes), or

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- (b) Article 12(1), 15(4) or 17(2)(a) of the Pensions (Northern Ireland) Order 2005 (corresponding provision for Northern Ireland).]
- (4) For the purposes of this Part a pension credit which increases the rights of the individual under the pension scheme is only to be treated as a contribution on behalf of the individual if it derives from a pension scheme that is not a registered pension scheme.
- (5) For the purposes of this Part—
- (a) any other transfer of any sum held for the purposes of, or representing accrued rights under, a pension scheme so as to become held for the purposes of, or to represent rights under, another pension scheme, <sup>F351</sup>...
- <sup>F351</sup>(b) .....  
is not to be treated as a contribution.
- <sup>F352</sup>(6) .....
- (7) References in the Income Tax Acts to relief in respect of life assurance premiums do not include relief under this section.
- (8) The following sections make further provision about relief under this section—  
 section 189 (relevant UK individual),  
 section 190 (annual limit for relief),  
 sections 191 to 194 (methods of giving relief), and  
 section 195 (transfer of certain shares to be treated as payment of contribution).

#### Textual Amendments

- F347** Words in s. 188(2) inserted (with effect in accordance with Sch. 7 para. 16 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), **Sch. 7 para. 13(2)**
- F348** S. 188(3)(aa) inserted (19.7.2007) (with effect in accordance with Sch. 18 paras. 4-7 of the amending Act) by [Finance Act 2007 \(c. 11\)](#), **Sch. 18 para. 2**
- F349** S. 188(3)(c) and word omitted (6.4.2015) by virtue of [Finance Act 2013 \(c. 29\)](#), **s. 52(2)(11)**
- F350** S. 188(3A)-(3C) inserted (with effect in accordance with Sch. 7 para. 16 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), **Sch. 7 para. 13(3)**
- F351** S. 188(5)(b) and preceding word repealed (19.7.2007) (with effect in accordance with Sch. 19 para. 29(3) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), **Sch. 19 para. 7**, **Sch. 27 Pt. 3(1)**
- F352** S. 188(6) omitted (retrospective to 6.4.2013) by virtue of [Finance Act 2013 \(c. 29\)](#), **s. 52(3)(10)**

#### Commencement Information

- I41** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

## 189 Relevant UK individual

- (1) For the purposes of this Part an individual is a relevant UK individual for a tax year if—
- (a) the individual has relevant UK earnings chargeable to income tax for that year,
- (b) the individual is resident in the United Kingdom at some time during that year,
- (c) the individual was resident in the United Kingdom both at some time during the five tax years immediately before that year and when the individual became a member of the pension scheme, or

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- (d) the individual, or the individual's spouse <sup>F353</sup>or civil partner], has for the tax year general earnings from overseas Crown employment subject to UK tax.
- (2) In this Part “relevant UK earnings” means—
- (a) employment income,
  - (b) income which is chargeable under <sup>F354</sup>Part 2 of ITTOIA 2005] and is immediately derived from the carrying on or exercise of a trade, profession or vocation (whether individually or as a partner acting personally in a partnership), <sup>F355</sup>...
  - <sup>F356</sup>(ba) income which is chargeable under Part 3 of ITTOIA 2005 and is immediately derived from the carrying on of a UK furnished holiday lettings business (whether individually or as a partner acting personally in a partnership), <sup>F357</sup>...
  - <sup>F358</sup>(bb) income which is chargeable under Part 3 of ITTOIA 2005 and is immediately derived from the carrying on of an EEA furnished holiday lettings business (whether individually or as a partner acting personally in a partnership), and]
  - <sup>F359</sup>(c) income to which subsection (2A) applies.]
- <sup>F360</sup>(2A) This subsection applies to income if—
- (a) it is patent income, and
  - (b) the individual, alone or jointly, devised the invention for which the patent in question was granted.]
- <sup>F361</sup>(2B) The income covered by subsection (2)(b) includes—
- (a) an amount treated as a profit under section 863J(2) of ITTOIA 2005, and
  - (b) income treated as received under section 863J(4) of that Act.]
- (3) For the purposes of this section and section 190 relevant UK earnings are to be treated as not being chargeable to income tax if, in accordance with arrangements having effect by <sup>F362</sup>under section 2(1) of the Taxation (International and Other Provisions) Act 2010] (double taxation agreements), they are not taxable in the United Kingdom.
- (4) “General earnings from overseas Crown employment subject to UK tax” has the meaning given by section 28 of ITEPA 2003.
- <sup>F363</sup>(5) “UK furnished holiday lettings business” means a UK property business so far as consisting of the commercial letting of furnished holiday accommodation (within the meaning of Chapter 6 of Part 3 of ITTOIA 2005).
- (6) If there is a letting of accommodation only part of which is holiday accommodation, just and reasonable apportionments are to be made for the purpose of determining what is comprised in a UK furnished holiday lettings business.
- [ EEA furnished holiday lettings business” means an overseas property business so far
- <sup>F364</sup>(6A) as consisting of the commercial letting of furnished holiday accommodation (within the meaning of Chapter 6 of Part 3 of ITTOIA 2005) in one or more EEA states.
- (6B) If there is a letting of accommodation only part of which is holiday accommodation, just and reasonable apportionments are to be made for the purpose of determining what is comprised in an EEA furnished holiday lettings business.]
- (7) “Patent income” means—
- (a) royalties or other sums paid in respect of the use of a patent charged to tax under section 579 of ITTOIA 2005,
  - (b) amounts on which tax is payable under section 587 or 593 of ITTOIA 2005, or

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- (c) amounts on which tax is payable under—
- (i) section 472(5) of the Capital Allowances Act, or
  - (ii) paragraph 100 of Schedule 3 to that Act.]

#### Textual Amendments

- F353** Words in s. 189(1)(d) inserted (with effect in accordance with reg. 1(7) of the amending S.I.) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **176**
- F354** Words in s. 189(2)(b) substituted (6.4.2006) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), [Sch. 1 para. 645\(2\)](#), [Sch. 2 para. 161](#) (with [Sch. 2](#))
- F355** Word in s. 189(2) repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 473\(2\)\(a\)](#), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))
- F356** S. 189(2)(ba) inserted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 473\(2\)\(b\)](#) (with [Sch. 2](#))
- F357** Word in s. 189(2)(ba) omitted (with effect in accordance with Sch. 14 para. 4 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 14 para. 1\(2\)](#)
- F358** S. 189(2)(bb) inserted (with effect in accordance with Sch. 14 para. 4 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 14 para. 1\(2\)](#)
- F359** S. 189(2)(c) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 473\(2\)\(c\)](#) (with [Sch. 2](#))
- F360** S. 189(2A) inserted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 473\(3\)](#) (with [Sch. 2](#))
- F361** S. 189(2B) inserted (with effect in accordance with Sch. 17 para. 21 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 17 para. 18](#)
- F362** Words in s. 189(3) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), [Sch. 8 para. 63](#) (with [Sch. 9 paras. 1-9, 22](#))
- F363** S. 189(5)-(7) inserted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 473\(4\)](#) (with [Sch. 2](#))
- F364** S. 189(6A)(6B) inserted (with effect in accordance with Sch. 14 para. 4 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 14 para. 1\(3\)](#)

#### Commencement Information

- I42** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

## 190 Annual limit for relief

- (1) The maximum amount of relief to which an individual is entitled under section 188 (relief for contributions) for a tax year is (subject as follows) the amount of the individual's relevant UK earnings which are chargeable to income tax for the tax year.
- (2) If the amount of the individual's relevant UK earnings which are chargeable to income tax for the tax year is less than the basic amount, the maximum amount of relief to which the individual is entitled under section 188 for the tax year is increased by the difference between—
  - (a) the amount of the individual's relevant UK earnings which are so chargeable, and
  - (b) the basic amount,
 (so that, if the individual has no relevant UK earnings which are so chargeable, the maximum amount of such relief is the basic amount).

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(3) Subsection (2) is subject to section 191(7) (limit on methods of giving relief to which individual is entitled by virtue of subsection (2)).

(4) “The basic amount” is £3,600 or such greater amount as the Treasury may by order specify.

<sup>F365</sup>(5) .....

**Textual Amendments**

**F365** S. 190(5) omitted (retrospective to 6.4.2013) by virtue of [Finance Act 2013 \(c. 29\), s. 52\(4\)\(10\)](#)

**Commencement Information**

**I43** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

**191 Methods of giving relief**

(1) Relief to which an individual is entitled under section 188 (relief for contributions) in respect of contributions is to be given as provided by this section.

(2) Subject as follows, the relief is to be given in accordance with section 192 (relief at source).

(3) Subject to subsection (7), relief in respect of contributions under a pension scheme made by a member of the pension scheme may (instead of being given in accordance with section 192) be given in accordance with section 193 (relief under net pay arrangements) if—

- (a) the pension scheme is an occupational pension scheme,
- (b) the member is an employee of a sponsoring employer, and
- (c) relief in respect of contributions made under the pension scheme by all of the other members of the pension scheme who are employees of the sponsoring employer is given in accordance with that section.

(4) Subject to subsection (7), relief in respect of contributions under a pension scheme made by a member of the pension scheme may (instead of being given in accordance with section 192) be given in accordance with section 193 if—

- (a) the pension scheme is a public service pension scheme or marine pilots' benefits fund, and
- (b) the member is an employee.

(5) Subject to subsection (7), subsection (6) applies where—

- (a) contributions are made under a public service pension scheme or marine pilots' benefit fund by a member who is not an employee, or
- (b) contributions are made otherwise than by a member of the pension scheme under a net pay pension scheme.

(6) Relief in respect of the contributions—

- (a) may (but need not) be given in accordance with section 192, but
- (b) where not so given, is to be given in accordance with section 194 (relief on making of claim).

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- (7) Relief to which an individual is entitled by virtue of section 190(2)—
- (a) may only be given in accordance with section 192, and
  - (b) is not required to be given in respect of contributions under a net pay pension scheme.
- (8) In this section “marine pilots' benefits fund” means—
- (a) a fund established under section 15(1)(i) of the Pilotage Act 1983 (c. 21), or
  - (b) any scheme supplementing or replacing such a fund.
- (9) In this Part “net pay pension scheme” means a pension scheme in the case of which some or all of the members of the pension scheme are entitled to be given relief in accordance with section 193 in respect of the payment of contributions by them under the pension scheme.
- (10) Schedule 36 contains (in Part 4) transitional provision about relief in respect of contributions to pre-commencement retirement annuity contracts.

#### Commencement Information

**I44** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 192 Relief at source

- (1) Where an individual is entitled to be given relief in accordance with this section in respect of the payment of a contribution under a pension scheme, the individual or other person by whom the contribution is paid is entitled, on making the payment, to deduct and retain out of it a sum equal to income tax on the contribution [<sup>F366</sup>at the relevant rate].
- [<sup>F367</sup>(1A) For the purposes of this section and sections 192A and 192B “the relevant rate” is—
- (a) if the Commissioners for Her Majesty’s Revenue and Customs so notify the scheme administrator, the Scottish basic rate for the tax year in which the payment is made;
  - [<sup>F368</sup>(aa) if the Commissioners for Her Majesty’s Revenue and Customs so notify the scheme administrator, the Welsh basic rate for the tax year in which the payment is made;] and
  - (b) the basic rate for that tax year in all other cases.]
- (2) If a sum is deducted from the payment of the contribution—
- (a) the scheme administrator must allow the deduction on receipt of the residue,
  - (b) the individual or other person is acquitted and discharged of so much money as is represented by the deduction as if the sum had actually been paid, and
  - (c) the sum deducted is to be treated as income tax paid by the scheme administrator.
- (3) When the payment of the contribution is received—
- (a) the scheme administrator is entitled to recover from the Board of Inland Revenue the amount which is treated as income tax paid by the scheme administrator in relation to the contribution, and

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- (b) any amount so recovered is to be treated for the purposes of the Tax Acts in the same manner as the payment of the contribution.

[<sup>F369</sup>(4) If (apart from this section) income tax at the higher rate [<sup>F370</sup>[<sup>F371</sup>or] the additional rate <sup>F372</sup>...] is chargeable in respect of any part of the individual's total income for the tax year, on the making of a claim the basic rate limit and the higher rate limit for the tax year in the individual's case are increased by the amount of the contribution.]

[<sup>F373</sup>(4A) Where—

- (a) the individual is a Scottish taxpayer for the tax year,
- (b) (apart from this section) income tax is chargeable in respect of any part of that individual's total income for the tax year at a Scottish rate, and
- (c) that rate is higher than the Scottish basic rate for that year,

on the making of a claim, the Scottish basic rate limit, and any other Scottish rate limit for the tax year in the individual's case [<sup>F374</sup>that is above the Scottish basic rate limit], are increased by the amount of the contribution.]

[<sup>F375</sup>(4B) Where—

- (a) the individual is a Welsh taxpayer for the tax year, and
- (b) (apart from this section) income tax is chargeable in respect of any part of that individual's total income for the tax year at the Welsh higher rate or Welsh additional rate,

on the making of a claim, the basic rate limit and the higher rate limit for the tax year in the individual's case, are increased by the amount of the contribution.]

[<sup>F376</sup>(5) .....

- (6) Subsections (1) and (2) have effect subject to such conditions as the Board of Inland Revenue may prescribe by regulations.
- (7) The Board of Inland Revenue may by regulations make provision for carrying subsections (1) to (3) into effect, in particular by making provision—
  - (a) about how a sum is to be recovered under subsection (3)(a) (including the manner in which a claim for the recovery of a sum is to be made),
  - (b) for the giving of such information, in such form, as may be prescribed by or under the regulations,
  - (c) for the inspection of documents by persons authorised by the Board of Inland Revenue, and
  - (d) specifying the consequences of failure to comply with conditions prescribed by virtue of subsection (6).
- (8) Regulations under this section may, in particular—
  - (a) modify the operation of any provision of the Tax Acts, or
  - (b) provide for the application of any provision of the Tax Acts (with or without modification).
- (9) Where, after relief is given to an individual in accordance with this section for a tax year, an assessment, alteration of an assessment or other adjustment of the individual's liability to tax is made, any appropriate consequential adjustments are to be made in relief given to the individual in accordance with this section.
- (10) Where relief is given to an individual in accordance with this section for a tax year in respect of a contribution, relief is not to be given—

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- (a) in respect of the contribution under any other provision of the Income Tax Acts, or
- (b) (in the case of a contribution under an annuity contract) in respect of any other premium or consideration for an annuity under the same contract.

[<sup>F377</sup>(11) Subsection (10) does not apply to prevent the giving of relief in respect of the contribution in accordance with subsection 192A.]

#### Textual Amendments

- F366** Words in s. 192(1) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Scottish Rate of Income Tax \(Consequential Amendments\) Order 2015 \(S.I. 2015/1810\)](#), arts. 1(1), **3(2)**
- F367** S. 192(1A) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Scottish Rate of Income Tax \(Consequential Amendments\) Order 2015 \(S.I. 2015/1810\)](#), arts. 1(1), **3(3)**
- F368** S. 192(1A)(aa) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **4(2)**
- F369** S. 192(4) substituted (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 2 para. 11**
- F370** Words in s. 192(4) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Scottish Rate of Income Tax \(Consequential Amendments\) Order 2015 \(S.I. 2015/1810\)](#), arts. 1(1), **3(4)**
- F371** Word in s. 192(4) substituted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), **3(2)(a)**
- F372** Words in s. 192(4) omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), **3(2)(b)**
- F373** S. 192(4A) inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), **3(3)**
- F374** Words in s. 192(4A) inserted (6.4.2018) by [The Scottish Rates of Income Tax \(Consequential Amendments\) Order 2018 \(S.I. 2018/459\)](#), arts. 1(2), **3(2)**
- F375** S. 192(4B) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **4(3)**
- F376** S. 192(5) repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 1 para. 474, Sch. 3 Pt. 1** (with Sch. 2)
- F377** S. 192(11) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Scottish Rate of Income Tax \(Consequential Amendments\) Order 2015 \(S.I. 2015/1810\)](#), arts. 1(1), **3(5)**

#### Commencement Information

- I45** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

#### [<sup>F378</sup>192A] Relief at source: additional relief

- (1) An individual to whom relief is given in accordance with section 192 in respect of a contribution is entitled to a tax reduction for the tax year in which the payment of the contribution is made if the conditions in subsection (2) [<sup>F379</sup>, (3A)] or (4) are met.
- (2) The conditions are that—
  - (a) the relevant rate [<sup>F380</sup> is not the Scottish basic rate] for the tax year in which the payment of the contribution is made,



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- (b) the individual is a Scottish taxpayer for that tax year, and
  - (c) the Scottish basic rate for that tax year is higher than [<sup>F381</sup>the relevant rate].
- (3) If the conditions in subsection (2) are met, the amount of the tax reduction is an amount equal to the difference between the amount of relief which would have been given if the relevant rate were the Scottish basic rate for the tax year in which the payment is made and the amount of relief given under section 192.
- [ The conditions are that—
- <sup>F382</sup>(3A) (a) the relevant rate is not the Welsh basic rate for the tax year in which the payment of the contribution is made,
- (b) the individual is a Welsh taxpayer for that tax year, and
  - (c) the Welsh basic rate for that tax year is higher than the relevant rate.
- (3B) If the conditions in subsection (3A) are met, the amount of the tax reduction is an amount equal to the difference between the amount of relief which would have been given if the relevant rate were the Welsh basic rate for the tax year in which the payment is made and the amount of relief given under section 192.]
- [<sup>F383</sup>(4) The conditions are that—
- (a) the relevant rate is not the basic rate for the tax year in which the payment of the contribution is made,
  - (b) the individual is neither a Scottish taxpayer nor a Welsh taxpayer for that tax year, and
  - (c) the basic rate for that tax year is higher than the relevant rate.]
- (5) If the conditions in subsection (4) are met, the amount of the tax reduction is an amount equal to the difference between the amount of relief which would have been given if the relevant rate were the basic rate for the tax year in which the payment is made and the amount of relief given under section 192.
- (6) A tax reduction under this section is given effect at Step 6 of the calculation in section 23 of ITA 2007.

#### Textual Amendments

- F378** Ss. 192A, 192B inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Scottish Rate of Income Tax \(Consequential Amendments\) Order 2015 \(S.I. 2015/1810\)](#), arts. 1(1), **4**
- F379** Word in s. 192A(1) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **5(2)**
- F380** Words in s. 192A(2)(a) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **5(3)(a)**
- F381** Words in s. 192A(2)(c) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **5(3)(b)**
- F382** S. 192A(3A)(3B) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **5(4)**
- F383** S. 192A(4) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **5(5)**

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## 192B. Relief at source: excessive relief given

- (1) If relief is given to an individual in accordance with section 192 in respect of a contribution and the conditions in subsection (2) [<sup>F384</sup>, (3A)] or (4) [<sup>F385</sup> are met], an amount of excessive relief given is treated as an amount of tax for which the individual is liable for the tax year in which the payment of the contribution is made.
- (2) The conditions are that—
- (a) the relevant rate [<sup>F386</sup> is not the Scottish basic rate] for the tax year in which the payment of the contribution is made,
  - (b) the individual is a Scottish taxpayer for that tax year, and
  - (c) the Scottish basic rate for that tax year is lower than [<sup>F387</sup> the relevant rate].
- (3) If the conditions in subsection (2) [<sup>F388</sup> are met], the amount of excessive relief given is an amount equal to the difference between the amount of relief given and the amount of relief which would have been given if the relevant rate were the Scottish basic rate for the tax year in which the payment is made.
- [ The conditions are that—
- <sup>F389</sup>(3A) (a) the relevant rate is not the Welsh basic rate for the tax year in which the payment of the contribution is made,
- (b) the individual is a Welsh taxpayer for that tax year, and
  - (c) the Welsh basic rate for that tax year is lower than the relevant rate.
- (3B) If the conditions in subsection (3A) are met, the amount of excessive relief given is an amount equal to the difference between the amount of relief given and the amount of relief which would have been given if the relevant rate were the Welsh basic rate for the tax year in which the payment is made.]
- [<sup>F390</sup>(4) The conditions are that—
- (a) the relevant rate is not the basic rate for the tax year in which the payment of the contribution is made, and
  - (b) the individual is neither a Scottish taxpayer nor a Welsh taxpayer for that tax year, and
  - (c) the basic rate for that tax year is lower than the relevant rate.]

(5) If the conditions in subsection (4) [<sup>F391</sup> are met], the amount of excessive relief given is an amount equal to the difference between the amount of relief given and the amount of relief which would have been given if the relevant rate were the basic rate for the tax year in which the payment is made.

(6) An amount of excessive relief treated as an amount of tax under this section is added at Step 7 of the calculation in section 23 of ITA 2007.]

### Textual Amendments

**F378** Ss. 192A, 192B inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Scottish Rate of Income Tax \(Consequential Amendments\) Order 2015 \(S.I. 2015/1810\)](#), arts. 1(1), 4

**F384** Word in s. 192B(1) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), 6(2)

**F385** Words in s. 192B(1) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), 6(3)

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- F386** Words in s. 192B(2)(a) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **6(4)(a)**
- F387** Words in s. 192B(2)(c) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **6(4)(b)**
- F388** Words in s. 192B(3) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **6(3)**
- F389** S. 192B(3A)(3B) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **6(5)**
- F390** S. 192B(4) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **6(6)**
- F391** Words in s. 192B(5) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **6(3)**

### 193 Relief under net pay arrangements

- (1) This section applies where an individual is entitled to be given relief in accordance with this section in respect of the payment of a contribution under a pension scheme.
- (2) The amount of the contribution is to be allowed to be deducted by the sponsoring employer from the employment income from the individual's employment with the employer for the tax year in which the payment is made.
- (3) A deduction may be made only once in respect of the same contribution.
- (4) A claim for excess relief may be made if—
  - (a) the amount of the contributions paid by an individual under one or more relevant net pay pension schemes in a tax year exceeds the employment income from the individual's employment or employments with the sponsoring employer or employers for the tax year, or
  - (b) it is not possible for the sponsoring employer or employers for any other reason to deduct the whole amount of the contribution from the individual's employment income.
- (5) A net pay pension scheme is a relevant net pay pension scheme if the members of the pension scheme entitled to be given relief in accordance with this section in respect of the payment of contributions by them under the pension scheme include the individual.
- (6) On the making of the claim for excess relief the amount of the excess may be deducted [<sup>F392</sup>in calculating the net income] of the individual for the tax year [<sup>F393</sup>(see Step 2 of the calculation in section 23 of ITA 2007)].
- (7) Where, after relief is given to an individual in accordance with this section for a tax year, an assessment, alteration of an assessment or other adjustment of the individual's liability to tax is made, any appropriate consequential adjustments are to be made in relief given to the individual in accordance with this section.
- (8) Where relief is given to an individual in accordance with this section for a tax year in respect of a contribution, relief is not to be given in respect of it under any other provision of the Income Tax Acts.

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#### Textual Amendments

- F392** Words in s. 193(6) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 475\(a\)](#) (with [Sch. 2](#))
- F393** Words in s. 193(6) inserted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 475\(b\)](#) (with [Sch. 2](#))

#### Modifications etc. (not altering text)

- C51** S. 193 applied (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, [19](#)

#### Commencement Information

- I46** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

### 194 Relief on making of claim

- (1) Where an individual is entitled to be given relief in accordance with this section in respect of the payment of a contribution, on the making of a claim the amount of the contribution may be deducted [<sup>F394</sup>in calculating the net income] of the individual for the tax year in which the payment is made [<sup>F395</sup>(see Step 2 of the calculation in section 23 of ITA 2007)].
- (2) Where, after relief is given to an individual in accordance with this section for a tax year, an assessment, alteration of an assessment or other adjustment of the individual's liability to tax is made, any appropriate consequential adjustments are to be made in relief given to the individual in accordance with this section.
- (3) Where relief is given to an individual in accordance with this section for a tax year in respect of a contribution, relief is not to be given—
  - (a) in respect of the contribution under any other provision of the Income Tax Acts, or
  - (b) (in the case of a contribution under an annuity contract) in respect of any other premium or consideration for an annuity under the same contract.

#### Textual Amendments

- F394** Words in s. 194(1) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 476\(a\)](#) (with [Sch. 2](#))
- F395** Words in s. 194(1) inserted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 476\(b\)](#) (with [Sch. 2](#))

#### Commencement Information

- I47** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

### 195 Transfer of certain shares to be treated as payment of contribution

- (1) For the purposes of sections 188 to 194 (relief for contributions) references to contributions paid by an individual include contributions made in the form of the transfer by the individual of eligible shares in a company within the permitted period.

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- (2) For the purposes of those sections the amount of a contribution made by way of a transfer of shares is the market value of the shares at the date of the transfer.
- (3) “Eligible shares”, in relation to a contribution made by an individual, means shares—
  - (a) which the individual has exercised a right to acquire in accordance with the provisions of an SAYE option scheme, or
  - (b) which have been appropriated to the individual in accordance with the provisions of a share incentive plan.
- (4) “The permitted period”—
  - (a) in relation to shares which the individual has exercised a right to acquire in accordance with the provisions of an SAYE option scheme, is the period of 90 days following the exercise of that right, and
  - (b) in relation to shares which have been appropriated to the individual in accordance with the provisions of a share incentive plan, is the period of 90 days following the date when the individual directed the trustees of the share incentive plan to transfer the ownership of the shares to the individual.
- (5) In this section—

“SAYE option scheme” has the same meaning as in the SAYE code (see section 516 of ITEPA 2003 (<sup>F396</sup>... SAYE option schemes)), and

“share incentive plan” has the same meaning as in the SIP code (see section 488 of ITEPA 2003 (<sup>F397</sup>... share incentive plans)).

#### Textual Amendments

**F396** Word in s. 195(5) omitted (6.4.2014) by virtue of [Finance Act 2014 \(c. 26\)](#), [Sch. 8 paras. 139, 146](#) (with [Sch. 8 paras. 147-157](#))

**F397** Word in s. 195(5) omitted (6.4.2014) by virtue of [Finance Act 2014 \(c. 26\)](#), [Sch. 8 paras. 52, 89](#) (with [Sch. 8 paras. 90-96](#))

#### Commencement Information

**I48** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

### <sup>F398</sup>195A Life assurance premium contributions

- (1) Contributions paid by or on behalf of an individual under a registered pension scheme are life assurance premium contributions for the purposes of section 188(3)(aa) if—
  - (a) rights under a non-group life policy (see subsection (2)) are (or later become) held for the purposes of the pension scheme, and
  - (b) the contributions are treated by this section as paid in respect of premiums under the non-group life policy (see subsections (3) to (5)).
- (2) For the purposes of this section a “non-group life policy” is a policy of insurance under which the only benefits which may become payable are benefits payable in consequence, or in anticipation, of—
  - (a) the death of the individual or one of a group of individuals which includes the individual, or
  - (b) the deaths of more than one of a group of individuals—
    - (i) which includes the individual, and

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- (ii) the other members of which are connected with the individual.
- (3) Contributions paid by or on behalf of the individual under the pension scheme are treated as paid in respect of premiums under the non-group life policy if—
- (a) the payment of the contributions constitutes the payment of premiums under the policy, or
  - (b) the person by whom the contributions are paid intends the contributions (or an amount equivalent to them) to be applied towards paying premiums under the policy.
- (4) Where the amount of the premiums under the policy in a tax year exceeds the amount of any contributions treated as paid in respect of the premiums by subsection (3), other contributions paid by or on behalf of the individual under the pension scheme in the tax year are treated as paid in respect of premiums under the policy to the extent that their amount does not exceed the difference between the amount of the premiums and the amount of any contributions treated as paid in respect of the premiums by subsection (3).
- (5) But where—
- (a) the benefits under the policy relate to the death of one or more of a group of individuals, and
  - (b) contributions are also paid under the pension scheme in the tax year by or on behalf of another member or other members of the group,
- the amount of the contributions paid by or on behalf of the individual which are treated as paid in respect of premiums under the policy by subsection (4) does not exceed what is just and reasonable having regard to the operation of section 188(3)(aa) in relation to the contributions paid by or on behalf of another member or other members of the group.
- (6) The Commissioners for Her Majesty's Revenue and Customs may by regulations amend subsections (2) to (5).
- (7) Regulations under subsection (6) which limit—
- (a) the policies of insurance which are non-group life assurance policies for the purposes of this section, or
  - (b) the contributions which are treated by this section as paid in respect of premiums under such policies,
- may be made so as to have effect in relation to times before they are made.
- (8) For the purposes of this section an individual (“A”) is connected with another individual (“B”) if—
- (a) A is B's spouse or civil partner,
  - (b) A is a relative of B,
  - (c) A is the spouse or civil partner of a relative of B,
  - (d) A is a relative of B's spouse or civil partner, or
  - (e) A is the spouse or civil partner of a relative of B's spouse or civil partner;
- and for the purposes of this subsection “relative” means brother, sister, ancestor or lineal descendant.]

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### Textual Amendments

**F398** S. 195A inserted (19.7.2007) (with effect in accordance with Sch. 18 paras. 4-7 of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 18 para. 3](#)

## *Employers' contributions*

### **196 Relief for employers in respect of contributions paid**

- (1) This section makes provision about an employer's entitlement to relief in respect of contributions paid by the employer under a registered pension scheme in respect of any individual.
- (2) For the purposes of [<sup>F399</sup>Part 2 of ITTOIA 2005][<sup>F400</sup>or Part 3 of CTA 2009 (trading income)] —
  - (a) the contributions are to be treated as not being payments of a capital nature to the extent that they otherwise would be, and
  - (b) if they are allowed to be deducted in computing the amount of the profits of the employer, they are deductible in computing the amount of the profits for the period of account in which they are paid.
- (3) For the purposes of [<sup>F401</sup>Chapter 2 of Part 16 of CTA 2009] (expenses of management: companies with investment business), the contributions—
  - (a) are to be treated as being expenses of management to the extent that they otherwise would not be, and
  - (b) are referable to the accounting period in which they are paid.
- (4) For the purposes of [<sup>F402</sup>section 76 of FA 2012] (expenses of insurance companies), the contributions—
  - (a) are to be [<sup>F403</sup>treated as meeting the conditions in section 77(2)(a) and (c) of that Act to the extent that they would otherwise not meet them], and
  - (b) are referable to the accounting period in which they are paid.
- <sup>F404</sup>(5) .....
- (6) This section is subject to sections 197 and 198 (spreading of relief) (and to transitional provision contained in Part 4 of Schedule 36).

### Textual Amendments

- F399** Words in s. 196(2) inserted (6.4.2006) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), [Sch. 1 para. 646](#), [Sch. 2 para. 161](#) (with [Sch. 2](#))
- F400** Words in s. 196(2) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 573\(2\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F401** Words in s. 196(3) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 573\(3\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F402** Words in s. 196(4) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 113\(a\)](#)
- F403** Words in s. 196(4)(a) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 113\(b\)](#)
- F404** S. 196(5) omitted (retrospective to 6.4.2013) by virtue of [Finance Act 2013 \(c. 29\)](#), [s. 52\(5\)\(10\)](#)

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### Commencement Information

**I49** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### [<sup>F405</sup>196A] Power to restrict relief

- (1) The Board of Inland Revenue may make regulations for restricting the extent to which contributions paid by an employer under a registered pension scheme in respect of an individual are subject to relief in circumstances in which subsection (2) or (3) applies (or both do).
- (2) This subsection applies where any of the benefits which will or may be payable to or in respect of the individual under the registered pension scheme will be payable only if relevant benefits expected to be so paid under an employer-financed retirement benefits scheme are not so paid.
- (3) This subsection applies where, because relevant benefits are or may be payable to or in respect of the individual under an employer-financed retirement benefits scheme, the aggregate of the amount of any sums and the market value of any assets—
  - (a) held for the purposes of, or
  - (b) representing accrued rights under,
 the registered pension scheme which may be transferred by way of a recognised transfer in respect of the individual will or may be less than it otherwise would be.
- (4) The reference in subsection (1) to contributions paid by an employer being subject to relief is to—
  - (a) their being deductible in computing the amount of the profits of the employer for the purposes of Part 2 of ITTOIA 2005 [<sup>F406</sup>or Part 3 of CTA 2009 (trading income)],
  - (b) their being expenses of management of the employer for the purposes of [<sup>F407</sup>section 1219 of CTA 2009] (expenses of management: companies with investment business), or
  - (c) their being [<sup>F408</sup>ordinary BLAGAB management expenses of the employer for an accounting period for the purposes of section 76 of FA 2012],
 (depending on which is appropriate in relation to the employer).
- (5) In this section—
 

“employer-financed retirement benefits scheme”, and  
 “relevant benefits”,

 have the same meaning as in Chapter 2 of Part 6 of ITEPA 2003 (see sections 393A and 393B of that Act).]

### Textual Amendments

**F405** S. 196A inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 39, 64\(1\)](#)

**F406** Words in s. 196A(4)(a) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 574\(a\)](#) (with [Sch. 2 Pts. 1, 2](#))

**F407** Words in s. 196A(4)(b) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 574\(b\)](#) (with [Sch. 2 Pts. 1, 2](#))

**F408** Words in s. 196A(4)(c) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 114](#)



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## **[<sup>F409</sup>196B] Employer asset-backed contributions: denial of relief (1)**

- (1) An employer (“E”) is not to be given relief in respect of a contribution (“E’s contribution”) paid by E under a registered pension scheme if conditions A, B and C are met.
- (2) Condition A is that—
  - (a) under an arrangement (“the asset-backed arrangement”)—
    - (i) a person (“the borrower”) receives money or another asset (“the advance”) from another person (“the lender”),
    - (ii) the borrower, or a person connected with the borrower, makes a disposal of an asset (“the security”) to or for the benefit of the lender or a person connected with the lender, and
    - (iii) the lender, or a person connected with the lender, is entitled to payments in respect of the security,
  - (b) the borrower is E or a person connected with E, and
  - (c) the advance is (wholly or partly) paid or provided by the lender out of E’s contribution (directly or indirectly),and the case is not one in relation to which either condition A in section 196D or condition A in section 196F is met.
- (3) For the purposes of subsection (2)(a)(iii) it does not matter if an entitlement of the lender, or a person connected with the lender, is subject to any condition.
- (4) Condition B is that the asset-backed arrangement is not an acceptable structured finance arrangement (see section 196C).
- (5) Condition C is that it is reasonable to suppose that the amount of one or more of the payments mentioned in subsection (2)(a)(iii) has been, or is to be, determined (wholly or partly) on the basis that, in essence, the whole or a part of the advance represents a loan which is (wholly or partly) to be repaid by way of one or more of those payments.
- (6) For the purposes of subsection (5) it does not matter—
  - (a) that the repayment of the loan might be subject to any condition, or
  - (b) that the accounts of any person do not record a financial liability in respect of the whole or a part of the advance or that the whole or a part of the advance is not otherwise treated as representing a loan for the purposes of the accounts of any person,but, subject to that, all relevant circumstances are to be taken into account in order to get to the essence of the matter.
- (7) For the purposes of this section—
  - (a) the borrower and the lender are not connected with one another if that would otherwise be the case,
  - (b) if the borrower is not E, references to a person connected with the borrower include a person connected with E who would not otherwise be connected with the borrower, and
  - (c) “loan” includes any advance of money.

### **Textual Amendments**

**F409** Ss. 196B-196L inserted (with effect in accordance with Sch. 13 para. 17 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 para. 15](#) (with [Sch. 13 Pt. 4](#)) (and see also, as to denial of relief for

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contributions paid during the period 29.11.2011 to 21.2.2012, the ss. 196B-196J inserted by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 paras. 1, 3](#) (with [Sch. 13 Pt. 2](#))

## 196C Employer asset-backed contributions: “acceptable structured finance arrangement” (1)

- (1) For the purposes of section 196B the asset-backed arrangement is an “acceptable structured finance arrangement” if conditions M to Q are met.
- (2) Condition M is that—
  - (a) in accordance with generally accepted accounting practice, the borrower's accounts for the period in which the advance is received record a financial liability (“the recorded financial liability”) in respect of the advance, and
  - (b) the asset-backed arrangement is a type 1 finance arrangement for the purposes of Chapter 5B of Part 13 of ITA 2007 or Chapter 2 of Part 16 of CTA 2010 (finance arrangements).
- (3) Condition N is that—
  - (a) the lender is a responsible authority,
  - (b) the advance is money which is paid by the lender directly to the borrower wholly and directly out of E's contribution, and
  - (c) the advance and the recorded financial liability (as originally recorded) are both of an amount equal to the amount of E's contribution.
- (4) Condition O is that, as at the time the advance is paid, the position of the lender is as follows—
  - (a) it is the lender (and not any person connected with the lender) who is entitled to the payments mentioned in section 196B(2)(a)(iii),
  - (b) those payments are to arise at times which have been fixed and fall at intervals of no more than one year (but allowing for payments otherwise due to arise on a non-working day to arise on the next working day),
  - (c) the lender is to receive each payment no later than 3 months after the day on which the payment arises (but allowing for payments otherwise due to be received on a non-working day to be received on the next working day),
  - (d) on receipt by the lender, each payment is directly to become part of the sums held for the purposes of the registered pension scheme,
  - (e) the payments are all to be of the same amount,
  - (f) the total amount of the payments is not to be less than the amount of E's contribution, and
  - (g) all the payments are to be received by the lender within a period (“the payment period”) ending no later than the end of the period of 25 years beginning with the day on which E's contribution is paid.
- (5) For the purposes of subsection (4)(b) the first payment is to arise no later than one year after the day on which the advance is paid.
- (6) For the purposes of subsection (4)(e) the following are to be ignored—
  - (a) negligible differences in the amounts of payments;
  - (b) differences in the amounts of payments which would be caused by a term of the asset-backed arrangement that requires the amounts of all outstanding

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- payments to be increased periodically by a percentage which cannot be higher than the highest of the following—
- (i) the percentage increase in the consumer prices index for the reference period, being a period determined, in relation to each periodic increase, under the term of the asset-backed arrangement in question;
  - (ii) the percentage increase in the retail prices index for the reference period;
  - (iii) the percentage for the reference period which corresponds to 5% per annum.
- (7) For the purposes of subsection (4), in determining the lender's position, regard must be had (in particular) to any arrangements connected (directly or indirectly) to the asset-backed arrangement.
- (8) Condition P is that, as at the time the advance is paid, in accordance with generally accepted accounting practice the recorded financial liability is to be reduced to nil by the end of the payment period by (and only by) the payments mentioned in section 196B(2)(a)(iii).
- (9) Condition Q is that, as at the time the advance is paid, no commitment to which subsection (10) applies has been given.
- (10) This subsection applies to a commitment (whether or not legally enforceable and whether or not subject to any conditions) if—
- (a) it is given (directly or indirectly) to a relevant person,
  - (b) it is a commitment to secure that a person receives money or another asset, and
  - (c) it is linked (directly or indirectly) to the receipt by the lender of a payment mentioned in section 196B(2)(a)(iii).
- (11) In subsection (10)(a) “relevant person” means—
- (a) E;
  - (b) a person connected with E;
  - (c) a person acting (directly or indirectly) at the direction or request, or with the agreement, of E or a person connected with E;
  - (d) a person chosen (directly or indirectly) by E or a person connected with E;
  - (e) a person within a class of person chosen (directly or indirectly) by E or a person connected with E;
  - (f) a partnership;
- but does not include a responsible authority.
- (12) In this section “responsible authority” means—
- (a) the persons who from time to time are the trustees of the registered pension scheme, or
  - (b) the persons who from time to time are the persons controlling the management of the registered pension scheme,
- in their capacity as such.

#### Textual Amendments

**F409** Ss. 196B-196L inserted (with effect in accordance with Sch. 13 para. 17 of the amending Act) by Finance Act 2012 (c. 14), **Sch. 13 para. 15** (with Sch. 13 Pt. 4) (and see also, as to denial of relief for

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contributions paid during the period 29.11.2011 to 21.2.2012, the ss. 196B-196J inserted by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 paras. 1, 3](#) (with [Sch. 13 Pt. 2](#)))

## 196D Employer asset-backed contributions: denial of relief (2)

- (1) An employer (“E”) is not to be given relief in respect of a contribution (“E’s contribution”) paid by E under a registered pension scheme if conditions A and B are met.
- (2) Condition A is that—
  - (a) under an arrangement (“the asset-backed arrangement”) a person (“the transferor”) makes a disposal of an asset (“the security”) to a partnership,
  - (b) the transferor is E or a person connected with E,
  - (c) the transferor, or a person connected with the transferor, is a member of the partnership immediately after the disposal (whether or not a member immediately before it),
  - (d) under the asset-backed arrangement the partnership receives money or another asset (“the advance”) from a person (“the lender”) other than the transferor,
  - (e) the advance is (wholly or partly) paid or provided by the lender out of E’s contribution (directly or indirectly),
  - (f) there is a relevant change in relation to the partnership (see section 196H), and
  - (g) under the asset-backed arrangement the share in the partnership’s profits of the person involved in the relevant change (see section 196H) is determined by reference (wholly or partly) to payments in respect of the security.
- (3) If the transferor is not E, for the purposes of this section references to a person connected with the transferor include a person connected with E who would not otherwise be connected with the transferor.
- (4) For the purposes of subsection (2)(g) it does not matter if any determination of the share in the partnership’s profits of the person involved in the relevant change as mentioned is subject to any condition.
- (5) Condition B is that the asset-backed arrangement is not an acceptable structured finance arrangement (see section 196E).

### Textual Amendments

**F409** Ss. 196B-196L inserted (with effect in accordance with [Sch. 13 para. 17](#) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 para. 15](#) (with [Sch. 13 Pt. 4](#)) (and see also, as to denial of relief for contributions paid during the period 29.11.2011 to 21.2.2012, the ss. 196B-196J inserted by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 paras. 1, 3](#) (with [Sch. 13 Pt. 2](#)))

## 196E Employer asset-backed contributions: “acceptable structured finance arrangement” (2)

- (1) For the purposes of section 196D the asset-backed arrangement is an “acceptable structured finance arrangement” if conditions M to Q are met.
- (2) Condition M is that—

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- (a) in accordance with generally accepted accounting practice, the partnership's accounts for the period in which the advance is received record a financial liability (“the recorded financial liability”) in respect of the advance, and
  - (b) the asset-backed arrangement is a type 2 finance arrangement for the purposes of Chapter 5B of Part 13 of ITA 2007 or Chapter 2 of Part 16 of CTA 2010 (finance arrangements).
- (3) Condition N is that—
- (a) the lender is a responsible authority,
  - (b) the advance is money which is paid by the lender directly to the partnership wholly and directly out of E's contribution, and
  - (c) the advance and the recorded financial liability (as originally recorded) are both of an amount equal to the amount of E's contribution.
- (4) Condition O is that, as at the time the advance is paid, the position of the lender is as follows—
- (a) it is the lender (and not any person connected with the lender) who is or is to be the person involved in the relevant change in relation to the partnership,
  - (b) the lender's share in the partnership's profits is to be determined wholly by reference to the payments mentioned in section 196D(2)(g),
  - (c) determinations of the lender's share in the partnership's profits are to be made at times which have been fixed and fall at intervals of no more than one year (but allowing for determinations otherwise due to be made on a non-working day to be made on the next working day),
  - (d) no later than 3 months after the day on which a determination of the lender's share in the partnership's profits is made, the lender is to make a drawing from the partnership on account of its determined share (but allowing for drawings otherwise due to be made on a non-working day to be made on the next working day),
  - (e) on its making, each drawing is directly to become part of the sums held for the purposes of the registered pension scheme,
  - (f) the drawings are all to be of the same amount,
  - (g) the total amount of the drawings is not to be less than the amount of E's contribution, and
  - (h) all of the lender's share in the partnership's profits is to be drawn by the lender from the partnership within a period (“the drawing period”) ending no later than the end of the period of 25 years beginning with the day on which E's contribution is paid.
- (5) For the purposes of subsection (4)(c) the first determination is to be made no later than one year after the day on which the advance is paid.
- (6) For the purposes of subsection (4)(f) the following are to be ignored—
- (a) negligible differences in the amounts of drawings;
  - (b) differences in the amounts of drawings which would be caused by a term of the asset-backed arrangement that requires the amounts of all outstanding drawings to be increased periodically by a percentage which cannot be higher than the highest of the following—
    - (i) the percentage increase in the consumer prices index for the reference period, being a period determined, in relation to each periodic increase, under the term of the asset-backed arrangement in question;

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- (ii) the percentage increase in the retail prices index for the reference period;
  - (iii) the percentage for the reference period which corresponds to 5% per annum.
- (7) In determining the lender's position for the purposes of subsection (4), regard must be had (in particular) to any arrangements connected (directly or indirectly) to the asset-backed arrangement.
- (8) Condition P is that, as at the time the advance is paid, in accordance with generally accepted accounting practice the recorded financial liability is to be reduced to nil by the end of the drawing period by (and only by) the payments mentioned in section 196D(2)(g).
- (9) Condition Q is that, as at the time the advance is paid, no commitment to which subsection (10) applies has been given.
- (10) This subsection applies to a commitment (whether or not legally enforceable and whether or not subject to any conditions) if—
- (a) it is given (directly or indirectly) to a relevant person,
  - (b) it is a commitment to secure that a person receives money or another asset, and
  - (c) it is linked (directly or indirectly) to any determination of the lender's share in the partnership's profits or any drawing from the partnership on account of that share.
- (11) In subsection (10)(a) “relevant person” means—
- (a) E;
  - (b) a person connected with E;
  - (c) a person acting (directly or indirectly) at the direction or request, or with the agreement, of E or a person connected with E;
  - (d) a person chosen (directly or indirectly) by E or a person connected with E;
  - (e) a person within a class of person chosen (directly or indirectly) by E or a person connected with E;
  - (f) a partnership;
- but does not include a responsible authority.
- (12) In this section—
- (a) “responsible authority” means—
    - (i) the persons who from time to time are the trustees of the registered pension scheme, or
    - (ii) the persons who from time to time are the persons controlling the management of the registered pension scheme,
 in their capacity as such, and
  - (b) references to the making of drawings from the partnership include references to the receiving of distributions from the partnership.

#### **Textual Amendments**

**F409** Ss. 196B-196L inserted (with effect in accordance with Sch. 13 para. 17 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 para. 15](#) (with [Sch. 13 Pt. 4](#)) (and see also, as to denial of relief for

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contributions paid during the period 29.11.2011 to 21.2.2012, the ss. 196B-196J inserted by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 paras. 1, 3](#) (with [Sch. 13 Pt. 2](#))

### **196F Employer asset-backed contributions: denial of relief (3)**

- (1) An employer (“E”) is not to be given relief in respect of a contribution (“E’s contribution”) paid by E under a registered pension scheme if conditions A and B are met.
- (2) Condition A is that—
  - (a) a partnership holds an asset (“the security”) at any time before an arrangement (“the asset-backed arrangement”) is made,
  - (b) under the asset-backed arrangement the partnership receives money or another asset (“the advance”) from another person (“the lender”),
  - (c) the advance is (wholly or partly) paid or provided by the lender out of E’s contribution (directly or indirectly),
  - (d) there is a relevant change in relation to the partnership (see section 196H), and
  - (e) under the asset-backed arrangement the share in the partnership’s profits of the person involved in the relevant change (see section 196H) is determined by reference (wholly or partly) to payments in respect of the security.
- (3) For the purposes of subsection (2)(e) it does not matter if any determination of the share in the partnership’s profits of the person involved in the relevant change as mentioned is subject to any condition.
- (4) Condition B is that the asset-backed arrangement is not an acceptable structured finance arrangement (see section 196G).

#### **Textual Amendments**

**F409** Ss. 196B-196L inserted (with effect in accordance with Sch. 13 para. 17 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 para. 15](#) (with [Sch. 13 Pt. 4](#)) (and see also, as to denial of relief for contributions paid during the period 29.11.2011 to 21.2.2012, the ss. 196B-196J inserted by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 paras. 1, 3](#) (with [Sch. 13 Pt. 2](#)))

### **196G Employer asset-backed contributions: “acceptable structured finance arrangement” (3)**

- (1) For the purposes of section 196F the asset-backed arrangement is an “acceptable structured finance arrangement” if conditions M to Q are met.
- (2) Condition M is that—
  - (a) in accordance with generally accepted accounting practice, the partnership’s accounts for the period in which the advance is received record a financial liability (“the recorded financial liability”) in respect of the advance, and
  - (b) the asset-backed arrangement is a type 3 finance arrangement for the purposes of Chapter 5B of Part 13 of ITA 2007 or Chapter 2 of Part 16 of CTA 2010 (finance arrangements).
- (3) Condition N is that—
  - (a) the lender is a responsible authority,

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- (b) the advance is money which is paid by the lender directly to the partnership wholly and directly out of E's contribution, and
  - (c) the advance and the recorded financial liability (as originally recorded) are both of an amount equal to the amount of E's contribution.
- (4) Condition O is that, as at the time the advance is paid, the position of the lender is as follows—
- (a) it is the lender (and not any person connected with the lender) who is or is to be the person involved in the relevant change in relation to the partnership,
  - (b) the lender's share in the partnership's profits is to be determined wholly by reference to the payments mentioned in section 196F(2)(e),
  - (c) determinations of the lender's share in the partnership's profits are to be made at times which have been fixed and fall at intervals of no more than one year (but allowing for determinations otherwise due to be made on a non-working day to be made on the next working day),
  - (d) no later than 3 months after the day on which a determination of the lender's share in the partnership's profits is made, the lender is to make a drawing from the partnership on account of its determined share (but allowing for drawings otherwise due to be made on a non-working day to be made on the next working day),
  - (e) on its making, each drawing is directly to become part of the sums held for the purposes of the registered pension scheme,
  - (f) the drawings are all to be of the same amount,
  - (g) the total amount of the drawings is not to be less than the amount of E's contribution, and
  - (h) all of the lender's share in the partnership's profits is to be drawn by the lender from the partnership within a period (“the drawing period”) ending no later than the end of the period of 25 years beginning with the day on which E's contribution is paid.
- (5) For the purposes of subsection (4)(c) the first determination is to be made no later than one year after the day on which the advance is paid.
- (6) For the purposes of subsection (4)(f) the following are to be ignored—
- (a) negligible differences in the amounts of drawings;
  - (b) differences in the amounts of drawings which would be caused by a term of the asset-backed arrangement that requires the amounts of all outstanding drawings to be increased periodically by a percentage which cannot be higher than the highest of the following—
    - (i) the percentage increase in the consumer prices index for the reference period, being a period determined, in relation to each periodic increase, under the term of the asset-backed arrangement in question;
    - (ii) the percentage increase in the retail prices index for the reference period;
    - (iii) the percentage for the reference period which corresponds to 5% per annum.
- (7) In determining the lender's position for the purposes of subsection (4), regard must be had (in particular) to any arrangements connected (directly or indirectly) to the asset-backed arrangement.



*Status: Point in time view as at 06/04/2021.*

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- (8) Condition P is that, as at the time the advance is paid, in accordance with generally accepted accounting practice the recorded financial liability is to be reduced to nil by the end of the drawing period by (and only by) the payments mentioned in section 196F(2)(e).
- (9) Condition Q is that, as at the time the advance is paid, no commitment to which subsection (10) applies has been given.
- (10) This subsection applies to a commitment (whether or not legally enforceable and whether or not subject to any conditions) if—
- (a) it is given (directly or indirectly) to a relevant person,
  - (b) it is a commitment to secure that a person receives money or another asset, and
  - (c) it is linked (directly or indirectly) to any determination of the lender's share in the partnership's profits or any drawing from the partnership on account of that share.
- (11) In subsection (10)(a) “relevant person” means—
- (a) E;
  - (b) a person connected with E;
  - (c) a person acting (directly or indirectly) at the direction or request, or with the agreement, of E or a person connected with E;
  - (d) a person chosen (directly or indirectly) by E or a person connected with E;
  - (e) a person within a class of person chosen (directly or indirectly) by E or a person connected with E;
  - (f) a partnership;
- but does not include a responsible authority.
- (12) In this section—
- (a) “responsible authority” means—
    - (i) the persons who from time to time are the trustees of the registered pension scheme, or
    - (ii) the persons who from time to time are the persons controlling the management of the registered pension scheme,in their capacity as such, and
  - (b) references to the making of drawings from the partnership include references to the receiving of distributions from the partnership.

#### Textual Amendments

**F409** Ss. 196B-196L inserted (with effect in accordance with Sch. 13 para. 17 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 para. 15](#) (with [Sch. 13 Pt. 4](#)) (and see also, as to denial of relief for contributions paid during the period 29.11.2011 to 21.2.2012, the ss. 196B-196J inserted by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 paras. 1, 3](#) (with [Sch. 13 Pt. 2](#)))

#### **196H Employer asset-backed contributions: “relevant change in relation to the partnership” and “person involved in the relevant change”**

- (1) For the purposes of sections 196D and 196F there is a relevant change in relation to the partnership if condition X or Y is met.

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- (2) Condition X is that, in connection with the asset-backed arrangement, the lender or a person connected with the lender becomes a member of the partnership at any time.
- (3) Condition Y is that—
  - (a) in connection with the asset-backed arrangement, there is at any time a change in a member's share in the partnership's profits, and
  - (b) the member is the lender or a person connected with the lender or a person who in connection with the asset-backed arrangement becomes at any time connected with the lender.
- (4) For the purposes of subsections (2) and (3) an event occurs in connection with the asset-backed arrangement if it occurs directly or indirectly in consequence of it or otherwise in connection with it.
- (5) For the purposes of sections 196D to 196G references to the person involved in the relevant change in relation to the partnership are—
  - (a) if it is condition X that is met, to the lender or the person connected with the lender (as the case may be), and
  - (b) if it is condition Y that is met, to the member of the partnership in whose share in the partnership's profits there is a change.

#### Textual Amendments

**F409** Ss. 196B-196L inserted (with effect in accordance with Sch. 13 para. 17 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 para. 15](#) (with [Sch. 13 Pt. 4](#)) (and see also, as to denial of relief for contributions paid during the period 29.11.2011 to 21.2.2012, the ss. 196B-196J inserted by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 paras. 1, 3](#) (with [Sch. 13 Pt. 2](#)))

### **196I Employer asset-backed contributions: change in lender's original position under acceptable structured finance arrangement etc**

- (1) This section applies if—
  - (a) an employer (“E”) pays a contribution (“E's contribution”) under a registered pension scheme,
  - (b) conditions A and C in section 196B are met or condition A in section 196D or 196F is met,
  - (c) the asset-backed arrangement is an acceptable structured finance arrangement for the purposes of section 196B, 196D or 196F (as the case may be) and, accordingly, condition B in that section is not met, and
  - (d) at any time (“the relevant time”) after the advance is paid—
    - (i) the lender's position changes from the lender's original position in any respect (whether as a result of a term of the asset-backed arrangement or another arrangement or otherwise),
    - (ii) an event occurs or does not occur and the occurrence or non-occurrence of the event does not accord with the lender's original position in any respect,
    - (iii) in accordance with generally accepted accounting practice, the recorded financial liability is reduced to nil other than by a payment mentioned in section 196B(2)(a)(iii), 196D(2)(g) or section 196F(2)(e) (as the case may be),

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- (iv) a commitment to which section 196C(10), 196E(10) or 196G(10) (as the case may be) applies is given, or
  - (v) an event falling within section 196J occurs.
- (2) This section also applies if—
- (a) the requirements of subsection (1)(a) to (c) are met, and
  - (b) at any time (“the relevant time”) after the advance is paid, in accordance with generally accepted accounting practice, the recorded financial liability is reduced in part other than by a payment mentioned in section 196B(2)(a)(iii), 196D(2)(g) or section 196F(2)(e) (as the case may be).
- (3) Subject to subsection (4), the relevant amount is treated as follows as relevant—
- (a) for corporation tax purposes, the relevant amount is treated as if it were a profit which E has in respect of E's loan relationships chargeable to corporation tax under section 299 of CTA 2009 for E's accounting period in which the relevant time falls, or
  - (b) for income tax purposes, the relevant amount is treated as if it were an amount of income of E chargeable to income tax under Chapter 8 of Part 5 of ITTOIA 2005 for the tax year in which the relevant time falls.
- (4) The amount treated as profit or income by subsection (3)(a) or (b), together with any amounts so treated on any previous applications of this section in relation to the asset-backed arrangement, is not to exceed the total amount of relief given in respect of E's contribution.
- (5) If this section applies by virtue of subsection (1), from the relevant time Chapter 5B of Part 13 of ITA 2007 or Chapter 2 of Part 16 of CTA 2010 (as relevant) is no longer to apply in relation to the asset-backed arrangement.
- (6) But no person is, by virtue of subsection (5), to be placed in a position which is more advantageous than the position in which the person would have been had this section never applied; and, in order to give effect to this principle, such assessments to tax or adjustments to any assessment to tax as are just and reasonable are to be made.
- (7) Subsection (1)(d)(i) and (ii) does not cover—
- (a) cases in which the lender's change in position, or the occurrence or non-occurrence of the event, is the direct result of a mere administrative error, so long as the consequences of the error are remedied promptly, or
  - (b) mere changes in the persons who are the trustees of the registered pension scheme or in the persons who control the management of the registered pension scheme.
- (8) For the purposes of subsection (1)(d)(ii) it does not matter if the occurrence or non-occurrence of the event is authorised by a term of the asset-backed arrangement or results from the occurrence or non-occurrence of another event which is so authorised.
- (9) If this section applies by virtue of subsection (1)(d)(v), in subsection (3) references to the relevant time are to be read as references to the time immediately before the relevant time.
- (10) In this section—
- “the advance” and “the asset-backed arrangement” have the same meaning as in section 196B, 196D or 196F (as the case may be),

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“the lender's original position” means the lender's position as at the time the advance is paid set out in the paragraphs of section 196C(4), 196E(4) or 196G(4) (as the case may be),

“the recorded financial liability” has the same meaning as in section 196C, 196E or 196G (as the case may be), and

“the relevant amount” means—

- (a) if this section applies by virtue of subsection (1), the outstanding amount of the recorded financial liability immediately before the relevant time determined in accordance with generally accepted accounting practice, or
- (b) if this section applies by virtue of subsection (2), the amount of the reduction of the recorded financial liability.

#### Textual Amendments

**F409** Ss. 196B-196L inserted (with effect in accordance with Sch. 13 para. 17 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 para. 15](#) (with [Sch. 13 Pt. 4](#)) (and see also, as to denial of relief for contributions paid during the period 29.11.2011 to 21.2.2012, the ss. 196B-196J inserted by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 paras. 1, 3](#) (with [Sch. 13 Pt. 2](#)))

### **196J Employer asset-backed contributions: further events which cause section 196I to apply**

- (1) The events falling within this section are those listed in subsection (2).
- (2) The events are—
  - (a) if E is a company within the charge to corporation tax when E's contribution is paid, E ceases to be within that charge;
  - (b) if E is a limited liability partnership in relation to which section 863(1) of ITTOIA 2005 or section 1273(1) of CTA 2009 applies when E's contribution is paid, that provision ceases to apply in relation to E;
  - (c) if E is a firm for the purposes of ITTOIA 2005 (see section 847) or CTA 2009 (see section 1257) (other than a limited liability partnership) when E's contribution is paid, the partnership ceases to carry on the trade, profession or business in question;
  - (d) in any case—
    - (i) if E is a company, E enters administration or the winding up of E starts;
    - (ii) if E is a partnership, the partnership is dissolved;
    - (iii) if E is an individual, E dies.
- (3) Sections 10(3) and 12(7) of CTA 2009 apply for the purposes of subsection (2)(d)(i).

#### Textual Amendments

**F409** Ss. 196B-196L inserted (with effect in accordance with Sch. 13 para. 17 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 para. 15](#) (with [Sch. 13 Pt. 4](#)) (and see also, as to denial of relief for contributions paid during the period 29.11.2011 to 21.2.2012, the ss. 196B-196J inserted by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 paras. 1, 3](#) (with [Sch. 13 Pt. 2](#)))

*Status: Point in time view as at 06/04/2021.*

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## **196K Employer asset-backed contributions: “advances” under acceptable structured finance arrangements**

- (1) This section applies if—
  - (a) an employer pays a contribution under a registered pension scheme,
  - (b) condition A in section 196B, 196D or 196F is met,
  - (c) the asset-backed arrangement is an acceptable structured finance arrangement for the purposes of section 196B, 196D or 196F (as the case may be) and, accordingly, condition B in that section is not met, and
  - (d) the advance gives rise to a loan within the meaning of Chapter 3 (see section 162).
- (2) Section 180(4) does not prevent the advance from being a scheme administration employer payment (if it would otherwise do so).
- (3) In this section “the advance” and “the asset-backed arrangement” have the same meaning as in section 196B, 196D or 196F (as the case may be).

### **Textual Amendments**

**F409** Ss. 196B-196L inserted (with effect in accordance with Sch. 13 para. 17 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 para. 15](#) (with [Sch. 13 Pt. 4](#)) (and see also, as to denial of relief for contributions paid during the period 29.11.2011 to 21.2.2012, the ss. 196B-196J inserted by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 paras. 1, 3](#) (with [Sch. 13 Pt. 2](#)))

## **196L Employer asset-backed contributions: supplementary**

- (1) This section applies for the purposes of sections 196B to 196K.
- (2) References to relief being given in respect of a contribution paid by an employer under a registered pension scheme are references to relief being given by way of—
  - (a) the contribution being deducted in computing the amount of the employer's profits for the purposes of Part 2 of ITTOIA 2005 or Part 3 of CTA 2009 (trading income),
  - (b) the contribution being treated as an expense of management of the employer for the purposes of Chapter 2 of Part 16 of CTA 2009 (expenses of management: companies with investment business), or
  - <sup>F410</sup>(c) [ the contribution being ordinary BLAGAB management expenses of the employer for an accounting period for the purposes of section 76 of FA 2012.]
- (3) Whether a person is connected with another person is determined in accordance with section 1122 of CTA 2010.
- (4) Sections 774, 775 and 776(2) and (4) of CTA 2010 apply as they apply for the purposes of Chapter 2 of Part 16 of that Act.
- (5) A reference to a disposal of an asset includes—
  - (a) anything constituting a disposal of an asset for the purposes of TCGA 1992, and
  - (b) so far as not covered by paragraph (a), the taking of any step by virtue of which a person receives an asset.
- (6) Section 776(2) of CTA 2010 applies for the purposes of subsection (5)(b).

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- (7) “Non-working day” means—
- (a) a Saturday or Sunday,
  - (b) a Christmas Eve, Christmas Day or Good Friday, or
  - (c) a day which is a bank holiday under the Banking and Financial Dealings Act 1971 in any part of the United Kingdom,
- and “working day” is to be read accordingly.]

#### Textual Amendments

**F409** Ss. 196B-196L inserted (with effect in accordance with Sch. 13 para. 17 of the amending Act) by Finance Act 2012 (c. 14), **Sch. 13 para. 15** (with Sch. 13 Pt. 4) (and see also, as to denial of relief for contributions paid during the period 29.11.2011 to 21.2.2012, the ss. 196B-196J inserted by Finance Act 2012 (c. 14), **Sch. 13 paras. 1, 3** (with Sch. 13 Pt. 2))

**F410** S. 196L(2)(c) substituted (17.7.2012) by Finance Act 2012 (c. 14), **Sch. 16 para. 115**

## 197 Spreading of relief

- (1) This section applies where—
- (a) contributions are paid by an employer under a registered pension scheme in two consecutive chargeable periods (“the previous chargeable period” and “the current chargeable period”), and
  - (b) the amount of the contributions paid in the current chargeable period otherwise than for an excepted purpose (“CCCP”) exceeds 210% of the amount of the contributions paid in the previous chargeable period (“CPCP”).
- (2) Relief under [<sup>F411</sup>the relieving provisions] is to be given in respect of so much of CCCP as exceeds 110% of CPCP (“the amount of the relevant excess contributions”) in accordance with subsections (4) and (5).
- (3) But subsection (2)—
- (a) does not apply if the amount of the relevant excess contributions is less than £500,000, and
  - (b) has effect subject to section 198 (cessation of business).
- (4) A fraction of the whole of the amount of the relevant excess contributions is to be treated for the purposes of [<sup>F412</sup>the relieving provisions] as if it had been paid in the chargeable period, or in each of the two or three chargeable periods, immediately after the current chargeable period (leaving only the remainder to be treated as paid in the current chargeable period).
- (5) The following table specifies (by reference to the amount of the relevant excess contributions)—
- (a) the fraction of the whole of the amount of the relevant excess contributions which is to be treated as paid in the chargeable period, or in each of the two or three chargeable periods, immediately after the current chargeable period, and
  - (b) the chargeable period or periods in which it is to be treated as paid.

**AMOUNT OF THE RELEVANT  
EXCESS CONTRIBUTIONS**

**FRACTION AND CHARGEABLE  
PERIOD OR PERIODS**

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500,000 or more but less than 1,000,000	One-half of the whole of the amount of the relevant excess contributions is to be treated as paid in the chargeable period immediately after the current chargeable period
1,000,000 or more but less than 2,000,000	One-third of the whole of the amount of the relevant excess contributions is to be treated as paid in each of the two chargeable periods immediately after the current chargeable period
2,000,000 or more	One-quarter of the whole of the amount of the relevant excess contributions is to be treated as paid in each of the three chargeable periods immediately after the current chargeable period

- (6) Subsection (7) specifies for the purposes of subsection (1) when contributions paid by the employer in the current chargeable period are paid for an excepted purpose.
- (7) They are paid for an excepted purpose if paid with a view to funding—
- (a) an increase in the amount of pensions paid to pensioner members of the pension scheme to reflect increases in the cost of living, or
  - (b) benefits which may accrue under the pension scheme to or in respect of individuals who become members of the pension scheme in the current chargeable period as a result of future service as employees of the employer.
- (8) Where the previous chargeable period and the current chargeable period are not of equal length, this section has effect as if CPCP were the amount it would otherwise be as adjusted by being multiplied by the appropriate factor.
- (9) The appropriate factor is—

$$\frac{\text{DCCP}}{\text{DPCP}}$$

where—

DCCP is the number of days in the current chargeable period, and

DPCP is the number of days in the previous chargeable period.

[<sup>F413</sup>(9A) In this section “the relieving provisions” means the provisions mentioned in subsections (2) to (4) of section 196 (relief for employers in respect of contributions paid), as they have effect under that section.]

- (10) In this section “chargeable period” means—
- (a) in a case where the contributions are deducted in computing profits to be charged under [<sup>F414</sup>Part 2 of ITTOIA 2005][<sup>F415</sup>or Part 3 of CTA 2009 (trading income),] a period of account, and
  - (b) in a case where relief in respect of the contributions is given under [<sup>F416</sup>[<sup>F417</sup>section 76 of FA 2012] (expenses of insurance companies) or Chapter

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2 of Part 16 of CTA 2009 (expenses of management: companies with investment business), an accounting period.]

#### Textual Amendments

- F411** Words in s. 197(2) substituted (21.7.2008) by [Finance Act 2008 \(c. 9\)](#), [Sch. 29 para. 14\(2\)\(a\)](#)
- F412** Words in s. 197(4) substituted (21.7.2008) by [Finance Act 2008 \(c. 9\)](#), [Sch. 29 para. 14\(2\)\(b\)](#)
- F413** S. 197(9A) inserted (21.7.2008) by [Finance Act 2008 \(c. 9\)](#), [Sch. 29 para. 14\(2\)\(c\)](#)
- F414** Words in s. 197(10)(a) inserted (6.4.2006) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), [Sch. 1 para. 647](#), [Sch. 2 para. 161](#) (with [Sch. 2](#))
- F415** Words in s. 197(10)(a) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 575\(a\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F416** Words in s. 197(10)(b) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 575\(b\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F417** Words in s. 197(10)(b) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 116](#)

#### Modifications etc. (not altering text)

- C52** S. 197 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, [20](#)

#### Commencement Information

- I50** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 198 Spreading of relief: cessation of business

- (1) This section applies if—
- (a) the employer ceases to carry on business in the current chargeable period or a later chargeable period in which section 197(4) would require a fraction of the amount of the relevant excess contributions to be treated as paid, and
  - (b) were section 197(4) to apply, relief in relation to the whole of the amount of the relevant excess contributions would not be given pre-cessation.
- (2) Relief is given pre-cessation if it is given for the chargeable period in which the employer ceases to carry on business or any earlier chargeable period.
- (3) The portion of the amount of the relevant excess contributions in relation to which relief would not have been given pre-cessation (“the unrelieved portion”) is to be treated as paid (at the option of the employer) either—
- (a) in the chargeable period in which the employer ceases to carry on business, or
  - (b) as provided by subsection (4).
- (4) This subsection provides that the amount determined under subsection (3) is to be treated as paid on each day in the period—
- (a) beginning with the current chargeable period, and
  - (b) ending with the day on which the employer ceases to carry on business, (“the relevant period”).
- (5) The amount referred to in subsection (4) is—



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$$\frac{UP}{DRP}$$

where—

UP is the amount of the unrelieved portion, and

DRP is the number of days in the relevant period.

- (6) Expressions used in this section and section 197 have the same meaning in this section as in that section.

#### Modifications etc. (not altering text)

- C53** S. 198 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, 20

#### Commencement Information

- I51** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 199 Deemed contributions

- (1) This section applies where a sum is paid to the trustees or managers of a registered pension scheme by an employer in or towards the discharge of any liability of the employer under—
- (a) section 75 of the Pensions Act 1995 (c. 26)(deficiencies in the assets of a pension scheme), or
  - (b) Article 75 of the Pensions (Northern Ireland) Order 1995 (S.I. 1995/3213 (N.I. 22)) (corresponding provision for Northern Ireland).
- (2) The making of the payment is to be treated for the purposes of <sup>[F418]</sup>the relieving provisions (within the meaning of section 197) and sections 197 and 198] as if it were the payment of a contribution by the employer under the pension scheme.
- (3) Subsections (4) and (5) apply if the employer's trade, profession, vocation or business is discontinued before the making of the payment.
- (4) The payment is to be relieved—
- (a) to the same extent as it would have been but for the discontinuance, and
  - (b) as if it had been made on the last day on which the trade, profession, vocation or business was carried on.
- <sup>[F419]</sup>(5) And, for the purposes of section 76 of FA 2012, it is to be treated as meeting the conditions in section 77(2)(a) and (c) of that Act to the extent that it would otherwise not meet them.]

#### Textual Amendments

- F418** Words in s. 199(2) substituted (21.7.2008) by [Finance Act 2008 \(c. 9\)](#), [Sch. 29 para. 14\(3\)](#)
- F419** S. 199(5) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 117](#)

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#### **Modifications etc. (not altering text)**

- C54** S. 199 applied (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **21**
- C55** S. 199 applied (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), **3(2)**

#### **Commencement Information**

- I52** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### **[<sup>F420</sup>199] Indirect contributions**

- (1) This section applies where an employer (“E”)—
  - (a) pays contributions under a registered pension scheme (“the original scheme”) in a chargeable period, and
  - (b) would (apart from subsection (4)) be entitled in the next chargeable period to an amount of relief in respect of a payment within subsection (2),
 and the avoidance condition is met.
- (2) A payment is within this subsection if all or part of the payment is intended to facilitate the payment of pension contributions under the original scheme or a substitute scheme by a person other than E.
- (3) The avoidance condition is that—
  - (a) section 197 would apply if, in the chargeable period mentioned in subsection (1)(b), E paid pension contributions under the original scheme of the amount of the relevant relief, and
  - (b) the purpose, or one of the purposes, of facilitating the payment of pension contributions by a person other than E is to enable pension contributions to be paid without that section applying.
- (4) For the purposes of the spreading provisions, the amount of the relevant relief is to be treated as the amount of a pension contribution paid by E under the original scheme in the chargeable period mentioned in subsection (1)(b).
- (5) The “relevant relief” is the relief to which the employer would (apart from subsection (4)) be entitled in that chargeable period in respect of—
  - (a) the payment within subsection (2), or
  - (b) where only part of the payment is intended to facilitate the payment of pension contributions as mentioned in that subsection, that part of the payment.
- (6) A “substitute scheme” is any registered pension scheme—
  - (a) to which there is a relevant transfer in the period of 2 years ending with the day on which the payment within subsection (2) is made, or
  - (b) to which it is envisaged that a relevant transfer will or may be made after that day.
- (7) A relevant transfer is a recognised transfer from the original scheme of more than 30% of the aggregate of—
  - (a) in a case within subsection (6)(a), the amount of the sums and the market value of the assets held for the purposes of, or representing accrued rights under, the original scheme immediately before the transfer, and

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- (b) in a case within subsection (6)(b), the amount of those sums and the market value of those assets on the day on which the payment is made.
- (8) If there is a transfer from a substitute scheme to another registered pension scheme which would have been a relevant transfer had it been a transfer from the original scheme at the time the relevant transfer was made, that other scheme is also a substitute scheme.
- (9) In subsection (1)(b) the reference to relief in respect of a payment within subsection (2) includes relief for a liability in respect of the making of the payment by a person other than E.
- (10) In this section references to E being entitled to an amount of relief are to an amount—
- (a) being deductible in computing the amount of the profits of E for the purposes of Part 2 of ITTOIA 2005 [<sup>F421</sup>or Part 3 of CTA 2009 (trading income)],
  - (b) being expenses of management of E for the purposes of [<sup>F422</sup>Chapter 2 of Part 16 of CTA 2009] (expenses of management: companies with investment business), or
  - (c) being [<sup>F423</sup>ordinary BLAGAB management expenses of E for an accounting period for the purposes of section 76 of FA 2012].
- (11) In this section—
- “the spreading provisions” means sections 197 and 198 and this section, and
  - “chargeable period” has the meaning given by section 197.]

#### Textual Amendments

- F420** S. 199A inserted (21.7.2008) (with effect in accordance with s. 90(2) of the amending Act) by [Finance Act 2008 \(c. 9\), s. 90\(1\)](#)
- F421** Words in s. 199A(10)(a) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 1 para. 576\(a\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F422** Words in s. 199A(10)(b) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 1 para. 576\(b\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F423** Words in s. 199A(10)(c) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\), Sch. 16 para. 118](#)

## 200 No other relief for employers in connection with contributions

No sums other than contributions paid by an employer under a registered pension scheme—

- (a) are deductible in computing the amount of the profits of the employer for the purposes of [<sup>F424</sup>Part 2 of ITTOIA 2005][<sup>F425</sup>or Part 3 of CTA 2009 (trading income)],
  - (b) are expenses of management for the purposes of [<sup>F426</sup>Chapter 2 of Part 16 of CTA 2009] (expenses of management: companies with investment business), or
  - [<sup>F427</sup>(c) are to count as ordinary BLAGAB management expenses of the employer for an accounting period for the purposes of section 76 of FA 2012,]
- in connection with the cost of providing benefits under the pension scheme.

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### Textual Amendments

- F424** Words in s. 200(a) inserted (6.4.2006) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), [Sch. 1 para. 649](#), [Sch. 2 para. 161](#) (with [Sch. 2](#))
- F425** Words in s. 200(a) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 577\(a\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F426** Words in s. 200(b) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 577\(b\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F427** S. 200(c) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 119](#)

### Modifications etc. (not altering text)

- C56** S. 200 applied (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), [3\(3\)](#)

### Commencement Information

- I53** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 201 Relief for employees

- (1) In section 307(1) of ITEPA 2003 (exemption for provision made by employer for retirement or death benefit), after “employer” insert “ under a registered pension scheme or otherwise ”.
- (2) For section 308 of ITEPA 2003 (exemption of contributions to approved personal pension arrangements) substitute—

### “308 Exemption of contributions to registered pension scheme

No liability to income tax arises in respect of earnings where an employee’s employer makes contributions under a registered pension scheme.”

### Commencement Information

- I54** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## *Inland Revenue contributions*

## 202 Minimum contributions under pensions legislation

- F428**(1) . . . . .
- F428**(2) . . . . .
- F428**(3) . . . . .
- F428**(4) . . . . .

- (5) The Board of Inland Revenue may by regulations—
  - (a) prescribe circumstances in which this section does not apply, or

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(b) make provision supplementing this section.

<sup>F428</sup>(6) .....

**Textual Amendments**

**F428** S. 202 omitted (6.4.2016 except for s. 202(5)) by virtue of [Finance Act 2013 \(c. 29\), s. 52\(6\)\(12\)](#)

**Commencement Information**

**I55** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*Inheritance tax exemptions*

**203 Inheritance tax exemptions**

- (1) The Inheritance Tax Act 1984 (c. 51) is amended as follows.
- (2) In section 12 (dispositions that are not transfers of value)—
  - (a) in subsection (2), for the words following “if” substitute “ it is a contribution under a registered pension scheme or section 615(3) scheme in respect of an employee of the person making the disposition. ”, and
  - (b) omit subsections (3) and (4).
- (3) In section 58(1) (settled property in which no qualifying interest in possession subsists but which is not “relevant property”), for paragraph (d) substitute—

“(d) property which is held for the purposes of a registered pension scheme or section 615(3) scheme;”.
- (4) In section 151 (treatment of pension rights etc.)—
  - (a) omit subsections (1) and (1A),
  - (b) in subsections (2), (4) and (5), for “fund or scheme to which this section applies” substitute “ registered pension scheme or section 615(3) scheme ”, and
  - (c) in subsection (2)(b), for the “fund or scheme” (in both places) substitute “ scheme ”.
- (5) In section 152 (cash options), for the words from the beginning to “or scheme” substitute “ Where on a person’s death an annuity becomes payable under a registered pension scheme or section 615(3) scheme to a widow, widower<sup>F429</sup>, surviving civil partner] or dependant of that person and under the terms of the scheme ”.
- (6) In section 272 (general interpretation), insert at the appropriate places—

““registered pension scheme” has the same meaning as in Part 4 of the Finance Act 2004;”, and

““section 615(3) scheme” means a superannuation fund to which section 615(3) of the Taxes Act 1988 applies;”.

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### Textual Amendments

**F429** Words in s. 203(5) inserted (with effect in accordance with reg. 1(7) of the amending S.I.) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **178**

### Commencement Information

**I56** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## CHAPTER 5

### REGISTERED PENSION SCHEMES: TAX CHARGES

#### *Charges on authorised payments*

### 204 Authorised pensions and lump sums

- (1) Schedule 31 contains provision about the taxation of pensions and lump sums which are authorised to be paid by this Part.
- (2) Schedule 36 contains (in Part 4) transitional provision about the taxation of annuities under existing retirement annuity contracts and other relevant transitional provision.

### Commencement Information

**I57** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### 205 Short service refund lump sum charge

- (1) A charge to income tax, to be known as the short service refund lump sum charge, arises where a short service refund lump sum is paid by a registered pension scheme.
- (2) The person liable to the short service refund lump sum charge is the scheme administrator.
- (3) The scheme administrator is liable to the short service refund lump sum charge whether or not—
  - (a) the scheme administrator, and
  - (b) the person to whom the short service refund lump sum is paid,
 are resident<sup>F430</sup> ... or domiciled in the United Kingdom.
- (4) The rate of the charge is—
  - (a) 20% in respect of so much of the lump sum as does not exceed [<sup>F431</sup>£20,000], and
  - (b) [<sup>F432</sup>50%] in respect of so much (if any) of it as exceeds that limit.
- (5) The Treasury may by order amend subsection (4) so as to—

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- (a) increase or decrease either or both of the rates for the time being specified in that subsection, or
  - (b) increase the limit for the time being specified in paragraph (a) of that subsection.
- (6) Tax under this section is to be charged on the amount of the lump sum paid or, if the rules of the pension scheme permit the scheme administrator to deduct the tax before payment, on the amount of the lump sum before deduction of tax.
- (7) A short service refund lump sum is not to be treated as income for any purpose of the Tax Acts.

#### Textual Amendments

- F430** Words in s. 205(3) omitted (with effect in accordance with Sch. 46 para. 132 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 46 para. 121](#)
- F431** Sum in s. 205(4)(a) substituted (24.3.2010 with effect for the tax year 2010-11 and subsequent tax years) by [The Taxation of Pensions Schemes \(Rates, etc\) Order 2010 \(S.I. 2010/536\)](#), [arts. 1, 3\(2\)](#)
- F432** Percentage in s. 205(4)(b) substituted (24.3.2010 with effect for the tax year 2010-11 and subsequent tax years) by [The Taxation of Pensions Schemes \(Rates, etc\) Order 2010 \(S.I. 2010/536\)](#), [arts. 1, 3\(3\)](#)

#### Modifications etc. (not altering text)

- C57** S. 205 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), [regs. 1\(1\), 3\(1\)\(2\)](#), [Sch. 3 Pt. 1](#)
- C58** S. 205 applied by 2003 c. 1, s. 636A(3) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#)))

#### Commencement Information

- I58** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### <sup>F433</sup>205A Serious ill-health lump sum charge

#### Textual Amendments

- F433** [S. 205A](#) omitted (with effect in accordance with Sch. 5 para. 4 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 5 para. 1\(2\)](#)

### 206 Special lump sum death benefits charge

- (1) A charge to income tax, to be known as the special lump sum death benefits charge, arises where—
- (a) a pension protection lump sum death benefit,
  - (b) an annuity protection lump sum death benefit, <sup>F434</sup>...
  - <sup>F435</sup>(c) a drawdown pension fund lump sum death benefit, [<sup>F436</sup>or
  - (d) a flexi-access drawdown fund lump sum death benefit,]
- is paid [<sup>F437</sup>, to a non-qualifying person,] by a registered pension scheme [<sup>F438</sup>in respect of a member who had reached the age of 75 at the date of the member's death].

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[<sup>F439</sup>(1ZA) In subsection (1) the reference to a member (and to the member's death) are to be read—

- (a) in relation to—
  - (i) a drawdown pension fund lump sum death benefit under paragraph 17(2) of Schedule 29, or
  - (ii) a flexi-access drawdown fund lump sum death benefit under paragraph 17A(2) of Schedule 29,
 as a reference to a dependant (and to the dependant's death),
- (b) in relation to a flexi-access drawdown fund lump sum death benefit under paragraph 17A(3) of Schedule 29, as a reference to a nominee (and to the nominee's death), and
- (c) in relation to a flexi-access drawdown fund lump sum death benefit under paragraph 17A(4) of Schedule 29, as a reference to a successor (and to the successor's death).]

[<sup>F440</sup>(1A) The special lump sum death benefits charge also arises where—

- (a) a defined benefits lump sum death benefit, or
  - (b) an uncrystallised funds lump sum death benefit,
- is paid [<sup>F441</sup>, to a non-qualifying person,] by a registered pension scheme in respect of a member who had reached the age of 75 at the date of the member's death.]

[<sup>F442</sup>(1B) The special lump sum death benefits charge also arises where—

- (a) a lump sum death benefit is paid [<sup>F443</sup>, to a non-qualifying person,] by a registered pension scheme in respect of a member of the scheme who had not reached the age of 75 at the date of the member's death,
- (b) the lump sum death benefit is—
  - (i) a drawdown pension fund lump sum death benefit under paragraph 17(1) of Schedule 29,
  - (ii) a flexi-access drawdown fund lump sum death benefit under paragraph 17A(1) of Schedule 29,
 [ a defined benefits lump sum death benefit,]or  
<sup>F444</sup>(ia)
  - (iii) an uncrystallised funds lump sum death benefit, and
- (c) the lump sum death benefit is not paid before the end of the period of two years beginning with the earlier of the day on which the scheme administrator of the scheme first knew of the member's death and the day on which the scheme administrator could first reasonably have been expected to have known of it.

(1C) The special lump sum death benefits charge also arises where—

- (a) a lump sum death benefit is paid [<sup>F445</sup>, to a non-qualifying person,] by a registered pension scheme on the death of a dependant, nominee or successor of a deceased member of the scheme,
- (b) the dependant, nominee or successor (“the beneficiary”) had not reached the age of 75 at the date of the beneficiary's death,
- (c) the lump sum death benefit is—
  - (i) a drawdown pension fund lump sum death benefit under paragraph 17(2) of Schedule 29, or
  - (ii) a flexi-access drawdown fund lump sum death benefit under paragraph 17A(2), (3) or (4) of Schedule 29, and



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- (d) the lump sum death benefit is not paid before the end of the period of two years beginning with the earlier of the day on which the scheme administrator of the scheme first knew of the beneficiary's death and the day on which the scheme administrator could first reasonably have been expected to have known of it.]
- (2) The person liable to the special lump sum death benefits charge is the scheme administrator.
- (3) The scheme administrator is liable to the special lump sum death benefits charge whether or not—
- (a) the scheme administrator, and
  - (b) the person to whom the lump sum death benefit is paid, are resident<sup>F446</sup> ... or domiciled in the United Kingdom.
- (4) The rate of the charge is [<sup>F447</sup>45%] in respect of the lump sum death benefit.
- (5) The Treasury may by order increase or decrease the rate for the time being specified in subsection (4).
- (6) Tax under this section is to be charged on the amount of the lump sum paid or, if the rules of the pension scheme permit the scheme administrator to deduct the tax before payment, on the amount of the lump sum before deduction of tax.
- [<sup>F448</sup>(7) A lump sum death benefit in respect of which income tax is charged under this section is not to be treated as income for any purpose of the Tax Acts [<sup>F449</sup>(but see subsection (8)).]]
- [<sup>F450</sup>(8) Where—
- (a) a lump sum death benefit in respect of which tax is charged under this section is one paid to a non-qualifying person in the person's capacity as a trustee, and
  - (b) a payment of any part of the lump sum is made out of a settlement to a beneficiary who is an individual,
- the amount received by the beneficiary, together with so much of the tax charged under this section on the lump sum as is attributable to the amount received by the beneficiary, is income of the beneficiary for income tax purposes but the beneficiary may claim to deduct that much of that tax from the income tax charged on the beneficiary's total income for the tax year in which the payment is made to the beneficiary.
- (9) For the purposes of this section, a person is a “non-qualifying person” in relation to payment of a lump sum if—
- (a) the person is not an individual, or
  - (b) the person is an individual and the payment is made to the person in the person's capacity as—
    - (i) a trustee or personal representative,
    - (ii) a director of a company,
    - (iii) a partner in a firm, or
    - (iv) a member of a limited liability partnership,
- except that a person is not a “non-qualifying person” in relation to payment of a lump sum if the payment is made to the person in the person's capacity as a bare trustee.
- (10) In subsection (9)—
- “bare trustee” means a person acting as trustee for—

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- (a) an individual absolutely entitled as against the trustee,
  - (b) two or more individuals who are so entitled,
  - (c) an individual who would be so entitled but for being a minor or otherwise lacking legal capacity, or
  - (d) two or more individuals who would be so entitled but for all or any of them being a minor or otherwise lacking legal capacity,
- “director” is read in accordance with section 452 of CTA 2010, and references to a firm are to be read in the same way as references to a firm in Part 9 of ITTOIA 2005 (which contains special provision about partnerships).]

### Textual Amendments

- F434** Word in s. 206(1)(b) omitted (17.12.2014) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 13\(a\)](#)
- F435** S. 206(1)(c) substituted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 41\(2\)](#)
- F436** S. 206(1)(d) and preceding word inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 13\(b\)](#)
- F437** Words in s. 206(1) inserted (with effect in accordance with s. 21(10) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 21\(2\)](#)
- F438** Words in s. 206(1) inserted (17.12.2014) (with application in accordance with s. 2(5) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [s. 2\(2\)](#)
- F439** S. 206(1ZA) inserted (17.12.2014) (with application in accordance with Sch. 2 para. 20 of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 17\(2\)](#)
- F440** S. 206(1A) inserted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 41\(3\)](#)
- F441** Words in s. 206(1A) inserted (with effect in accordance with s. 21(10) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 21\(2\)](#)
- F442** S. 206(1B)(1C) inserted (17.12.2014) (with application in accordance with Sch. 2 para. 20 of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 17\(3\)](#)
- F443** Words in s. 206(1B)(a) inserted (with effect in accordance with s. 21(10) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 21\(2\)](#)
- F444** S. 206(1B)(b)(iia) inserted (with effect in accordance with s. 21(10) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 21\(3\)](#)
- F445** Words in s. 206(1C)(a) inserted (with effect in accordance with s. 21(10) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 21\(2\)](#)
- F446** Words in s. 206(3) omitted (with effect in accordance with Sch. 46 para. 132 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 46 para. 123](#)
- F447** Word in s. 206(4) substituted (17.12.2014) (with application in accordance with s. 2(5) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [s. 2\(3\)](#)
- F448** S. 206(7) substituted (17.12.2014) (with application in accordance with Sch. 2 para. 20 of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 17\(4\)](#)
- F449** Words in s. 206(7) inserted (with effect in accordance with s. 21(10) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 21\(4\)](#)
- F450** S. 206(8)-(10) inserted (with effect in accordance with s. 21(10) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 21\(5\)](#)

### Modifications etc. (not altering text)

- C59** S. 206 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), [Sch. 3 Pt. 1](#)

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**C60** S. 206 applied by S.R. 1995/95, reg. 89A(10) (as inserted (N.I.) (with effect in accordance with reg. 1(2) of the amending Rule) by [The Health and Personal Social Services \(Superannuation Scheme, Injury Benefits and Additional Voluntary Contributions\) \(Amendment\) Regulations \(Northern Ireland\) 2006 \(S.R. 2006/410\)](#), regs. 1(2), 16)

#### Commencement Information

**I59** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 207 Authorised surplus payments charge

- (1) A charge to income tax, to be known as the authorised surplus payments charge, arises where an authorised surplus payment is made to a sponsoring employer by an occupational pension scheme that is a registered pension scheme.
- (2) The person liable to the authorised surplus payments charge is the scheme administrator.
- (3) The scheme administrator is liable to the authorised surplus payments charge whether or not—
  - (a) the scheme administrator, and
  - (b) the sponsoring employer,are resident<sup>F451</sup> ... or domiciled in the United Kingdom.
- (4) The rate of the charge is 35% in respect of the authorised surplus payment.
- (5) The Treasury may by order increase or decrease the rate for the time being specified in subsection (4).
- (6) Subsection (1) does not apply to any authorised surplus payment—
  - (a) to the extent that (if this section had not been enacted) the sponsoring employer would have been exempt, or entitled to claim exemption, from income tax or corporation tax in respect of it, or
  - (b) if the sponsoring employer is a charity.
- <sup>F452</sup>(6A) Subsection (1) does not apply to an authorised surplus payment to the extent that the payment is funded (directly or indirectly) by a surrender of (or an agreement to surrender) benefits or rights which results in the registered pension scheme being treated as making an unauthorised payment under section 172A.
- (6B) Terms used in subsection (6A) which are defined in section 172A have the same meaning as they have in that section.]
- (7) An authorised surplus payment in respect of which income tax is charged under this section is not to be treated as income for any purpose of the Tax Acts.
- (8) Schedule 36 contains (in Part 4) transitional provisions about the authorised surplus payments charge.

#### Textual Amendments

**F451** Words in s. 207(3) omitted (with effect in accordance with Sch. 46 para. 132 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 46 para. 124](#)

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**F452** S. 207(6A)(6B) inserted (with effect in accordance with Sch. 7 para. 12 of the amending Act) by Finance Act 2014 (c. 26), **Sch. 7 para. 11**

**Modifications etc. (not altering text)**

**C61** S. 207 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), **Sch. 3 Pt. 1**

**Commencement Information**

**I60** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*Unauthorised payments charge*

**208 Unauthorised payments charge**

- (1) A charge to income tax, to be known as the unauthorised payments charge, arises where an unauthorised payment is made by a registered pension scheme.
- (2) The person liable to the charge—
  - (a) in the case of an unauthorised member payment [<sup>F453</sup>made to or in respect of a person before the person's death, is the person,]
  - (b) in the case of an unauthorised member payment made [<sup>F454</sup>in respect of a person after the person's] death, is the recipient, and
  - (c) in the case of an unauthorised employer payment, is the [<sup>F455</sup>person] to or in respect of whom the payment is made.
- (3) If more than one person is liable to the unauthorised payments charge in respect of an unauthorised payment, those persons are jointly and severally liable to the charge in respect of the payment.
- (4) A person is liable to the unauthorised payments charge whether or not—
  - (a) that person,
  - (b) any other person who is liable to the unauthorised payments charge, and
  - (c) the scheme administrator,
 are resident<sup>F456</sup>... or domiciled in the United Kingdom.
- (5) The rate of the charge is 40% in respect of the unauthorised payment.
- [<sup>F457</sup>(6) The Treasury may by order amend subsection (5) so as to vary the rate of the unauthorised payments charge.
- (6A) An order under subsection (6) may make provision for there to be different rates in different circumstances.]
- (7) An unauthorised payment may also be subject to—
  - (a) the unauthorised payments surcharge under section 209, and
  - (b) the scheme sanction charge under section 239.
- (8) An unauthorised payment is not to be treated as income for any purpose of the Tax Acts.

*Status: Point in time view as at 06/04/2021.*

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#### Textual Amendments

- F453** Words in s. 208(2)(a) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 14\(a\)](#)
- F454** Words in s. 208(2)(b) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 14\(b\)](#)
- F455** Word in s. 208(2)(c) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 14\(c\)](#)
- F456** Words in s. 208(4) omitted (with effect in accordance with Sch. 46 para. 132 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 46 para. 125](#)
- F457** S. 208(6)(6A) substituted for s. 208(6) (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 2 para. 12](#)

#### Modifications etc. (not altering text)

- C62** S. 208 modified (1.4.2012) by [The Postal Services Act 2011 \(Taxation\) Regulations 2012 \(S.I. 2012/764\)](#), [regs. 1\(1\), 24](#); [S.I. 2012/687](#); [S.I. 2012/688](#); [S.I. 2012/966](#)

#### Commencement Information

- I61** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 209 Unauthorised payments surcharge

- (1) A charge to income tax, to be known as the unauthorised payments surcharge, arises where a surchargeable unauthorised payment is made by a registered pension scheme.
- (2) “Surchargeable unauthorised payments” means—
  - (a) surchargeable unauthorised member payments (see section 210), and
  - (b) surchargeable unauthorised employer payments (see section 213).
- (3) The person liable to the charge—
  - (a) in the case of a surchargeable unauthorised member payment [<sup>F458</sup>made to or in respect of a person before the person's death, is the person,]
  - (b) in the case of a surchargeable unauthorised member payment made [<sup>F459</sup>in respect of a person after the person's] death, is the recipient, and
  - (c) in the case of a surchargeable unauthorised employer payment, is the [<sup>F460</sup>person] to or in respect of whom the payment was made.
- (4) If more than one person is liable to the unauthorised payments surcharge in respect of a surchargeable unauthorised payment, those persons are jointly and severally liable to the surcharge in respect of the payment.
- (5) A person is liable to the unauthorised payments surcharge whether or not—
  - (a) that person,
  - (b) any other person who is liable to the unauthorised payments surcharge, <sup>F461</sup>...
  - (c) the scheme administrator, [<sup>F462</sup>and]
  - <sup>F463</sup>(d) the sub-scheme administrator,]are resident<sup>F464</sup>... or domiciled in the United Kingdom.
- (6) The rate of the charge is 15% in respect of the surchargeable unauthorised payment.

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- [<sup>F465</sup>(7) The Treasury may by order amend subsection (6) so as to vary the rate of the unauthorised payments surcharge.
- (8) An order under subsection (7) may make provision for there to be different rates in different circumstances.]

#### Textual Amendments

- F458** Words in s. 209(3)(a) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 15\(a\)](#)
- F459** Words in s. 209(3)(b) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 15\(b\)](#)
- F460** Word in s. 209(3)(c) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 15\(c\)](#)
- F461** Word in s. 209(5)(b) deleted (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), [4\(1\)\(a\)](#)
- F462** Word in s. 209(5)(c) added (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), [4\(1\)\(b\)](#)
- F463** S. 209(5)(d) added (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), [4\(1\)\(c\)](#)
- F464** Words in s. 209(5) omitted (with effect in accordance with Sch. 46 para. 132 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 46 para. 126](#)
- F465** S. 209(7)(8) substituted for s. 209(7) (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 2 para. 13](#)

#### Modifications etc. (not altering text)

- C63** S. 209 modified (1.4.2012) by [The Postal Services Act 2011 \(Taxation\) Regulations 2012 \(S.I. 2012/764\)](#), regs. 1(1), [24](#); [S.I. 2012/687](#); [S.I. 2012/688](#); [S.I. 2012/966](#)

#### Commencement Information

- I62** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 210 Surchargeable unauthorised member payments

- (1) This section identifies which unauthorised member payments made by a registered pension scheme [<sup>F466</sup>to or in respect of a person who is or has been a member of] the pension scheme are surchargeable.
- (2) If the surcharge threshold is reached before the end of the period of 12 months beginning with a reference date, each unauthorised member payment made [<sup>F467</sup>to or in respect of the person] in the surcharge period is surchargeable.
- (3) The surcharge period is the period—
  - (a) beginning with the reference date, and
  - (b) ending with the day on which the surcharge threshold is reached.
- (4) The first reference date is the date on which the pension scheme first makes an unauthorised member payment [<sup>F468</sup>to or in respect of the person].

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- (5) Each subsequent reference date is the date, after the end of the previous reference period, on which the pension scheme next makes an unauthorised member payment [<sup>F469</sup>to or in respect of the person].
- (6) The previous reference period is the period of 12 months beginning with the previous reference date or, if the surcharge threshold is reached in that period, is the surcharge period ending with the date on which it was reached.
- (7) The surcharge threshold is reached if the unauthorised payments percentage reaches 25%.
- (8) The unauthorised payments percentage is the aggregate of the percentages of the pension fund used up by each unauthorised member payment made by the pension scheme [<sup>F470</sup>to or in respect of the person] on or after the reference date.
- (9) The percentage of the pension fund used up on the occasion of an unauthorised member payment is—

$$\frac{\text{UMP}}{\text{VR}} \times 100$$

where—

UMP is the amount of the unauthorised member payment, and

VR is an amount equal to the [<sup>F471</sup>aggregate of the value of the member's rights under arrangements relating to the member under the pension scheme when the unauthorised payment is made (or, if the unauthorised member payment is made after the member has died or has otherwise ceased to be a member of the pension scheme, at the date when the member died or otherwise ceased to be a member).]

- (10) The value of the member's rights under [<sup>F472</sup>an arrangement on any] date is the aggregate of—
  - (a) the value of the member's crystallised rights under the arrangement on that date, calculated in accordance with section 211, and
  - (b) the value of the member's uncrystallised rights under the arrangement on that date, calculated in accordance with section 212.

#### Textual Amendments

- F466** Words in s. 210(1) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 16\(2\)](#)
- F467** Words in s. 210(2) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 16\(3\)](#)
- F468** Words in s. 210(4) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 16\(3\)](#)
- F469** Words in s. 210(5) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 16\(3\)](#)
- F470** Words in s. 210(8) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 16\(3\)](#)
- F471** Words in s. 210(9) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 16\(4\)](#)

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**F472** Words in s. 210(10) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 16\(5\)](#)

#### Commencement Information

**I63** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 211 Valuation of crystallised rights for purposes of section 210

- (1) The value of the member's crystallised rights under [<sup>F473</sup>an arrangement] on any date is the aggregate of—
- (a) the value of each scheme pension or lifetime annuity to which the member has an actual (rather than a prospective) entitlement under the arrangement on that date, <sup>F474</sup>...
  - (b) the aggregate of the amount of the sums, and the market value of the assets, representing the [<sup>F475</sup>member's drawdown pension fund] in respect of the arrangement on that date (if any) [<sup>F476</sup>, and
  - (c) the aggregate of the amount of the sums, and the market value of the assets, representing the member's flexi-access drawdown fund in respect of the arrangement on that date (if any).]
- (2) The value of a scheme pension or lifetime annuity is—

$$RVF \times ARP$$

where—

RVF is the relevant valuation factor (see section 276), and

ARP is an amount equal to the annual rate of the pension or annuity on the date.

#### Textual Amendments

**F473** Words in s. 211(1) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 17](#)

**F474** Word in s. 211(1)(a) omitted (17.12.2014) by virtue of [Taxation of Pensions Act 2014 \(c. 30\), Sch. 1 para. 14\(a\)](#)

**F475** Words in s. 211(1)(b) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\), Sch. 16 para. 71](#)

**F476** S. 211(1)(c) and preceding word inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\), Sch. 1 para. 14\(b\)](#)

#### Commencement Information

**I64** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 212 Valuation of uncrystallised rights for purposes of section 210

- (1) Rights are uncrystallised if the member is not entitled to the present payment of benefits in respect of the rights.



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- (2) The member is to be treated as entitled to the present payment of benefits in respect of the sums and assets representing the [<sup>F477</sup>member's drawdown pension fund][<sup>F478</sup>or the member's flexi-access drawdown fund].
- (3) The value of the member's uncrystallised rights under [<sup>F479</sup>an arrangement] on any date is to be calculated—
  - (a) in accordance with subsection (4) if the arrangement is a cash balance arrangement,
  - (b) in accordance with subsection (5) if the arrangement is a money purchase arrangement other than a cash balance arrangement,
  - (c) in accordance with subsection (6) if the arrangement is a defined benefits arrangement, and
  - (d) in accordance with subsection (7) if the arrangement is a hybrid arrangement.
- (4) If this subsection applies, the value of the member's uncrystallised rights under the arrangement on the date is the amount which would, on the valuation assumptions (see section 277), be available for the provision of benefits in respect of those rights if the member became entitled to benefits in respect of those rights on the date.
- (5) If this subsection applies, the value of the member's uncrystallised rights under the arrangement on the date is the aggregate of—
  - (a) the amount of such of the sums held for the purposes of the arrangement on the date as represent those rights, and
  - (b) the market value of such of the assets held for the purposes of the arrangement on the date as represent those rights.
- (6) If this subsection applies, the value of the member's uncrystallised rights under the arrangement on the date is—

$$(RVF \times ARP) + LS$$

where—

RVF is the relevant valuation factor (see section 276),

ARP is the annual rate of pension to which the member would, on the valuation assumptions, be entitled under the arrangement on the date if, on the date, the member acquired an actual (rather than a prospective) right to receive a pension in respect of the rights, and

LS is the amount of any lump sum to which the member would, on the valuation assumptions, be entitled under the arrangement on the date (otherwise than by way of commutation of pension) if, on the date, the member acquired an actual (rather than a prospective) right to payment of a lump sum in respect of the rights.

- (7) If this subsection applies, the value of the member's uncrystallised rights under the arrangement on the date is—
  - (a) if each of subsections (4), (5) and (6) is relevant, the greatest of the values of the rights calculated in accordance with each of those subsections, or
  - (b) if only two of those subsections are relevant, the greater of the values of the rights calculated in accordance with each of the two subsections.

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- (8) Subsection (4) is relevant if, in any circumstances, cash balance benefits may be provided to or in respect of the member under the arrangement.
- (9) Subsection (5) is relevant if, in any circumstances, money purchase benefits other than cash balance benefits may be provided to or in respect of the member under the arrangement.
- (10) Subsection (6) is relevant if, in any circumstances, defined benefits may be provided to or in respect of the member under the arrangement.

#### Textual Amendments

**F477** Words in s. 212(2) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 72](#)

**F478** Words in s. 212(2) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 15](#)

**F479** Words in s. 212(3) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 18](#)

#### Modifications etc. (not altering text)

**C64** S. 212 modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), 9, 10

#### Commencement Information

**I65** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 213 Surchargeable unauthorised employer payments

- (1) This section identifies which unauthorised employer payments made by a registered pension scheme to or in respect of a [<sup>F480</sup>person who is or has been a] sponsoring employer are surchargeable.
- (2) If the surcharge threshold is reached before the end of the period of 12 months beginning with a reference date, each unauthorised employer payment made to or in respect of the [<sup>F481</sup>person] in the surcharge period is surchargeable.
- (3) The surcharge period is the period—
  - (a) beginning with the reference date, and
  - (b) ending with the day on which the surcharge threshold is reached.
- (4) The first reference date is the date on which the pension scheme first makes an unauthorised employer payment to or in respect of the [<sup>F482</sup>person].
- (5) Each subsequent reference date is the date, after the end of the previous reference period, on which the pension scheme next makes an unauthorised employer payment to or in respect of the [<sup>F483</sup>person].
- (6) The previous reference period is the period of 12 months beginning with the previous reference date or, if the surcharge threshold is reached in that period, is the surcharge period ending with the date on which it was reached.
- (7) The surcharge threshold is reached if the unauthorised payments percentage reaches 25%.

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- (8) The unauthorised payments percentage is the aggregate of the percentages of the pension fund used up by each unauthorised employer payment made by the pension scheme to or in respect of the [<sup>F484</sup>person] on or after the reference date.
- (9) The percentage of the pension fund used up on the occasion of an unauthorised employer payment is—

$$\frac{\text{UEP}}{\text{AA}} \times 100$$

where—

UEP is the amount of the unauthorised employer payment, and

AA is an amount equal to the aggregate of the amount of the sums and the market value of the assets held for the purposes of the pension scheme at the time when the unauthorised employer payment is made.

#### Textual Amendments

- F480** Words in s. 213(1) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 19\(2\)](#)
- F481** Word in s. 213(2) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 19\(3\)](#)
- F482** Word in s. 213(4) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 19\(3\)](#)
- F483** Word in s. 213(5) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 19\(3\)](#)
- F484** Word in s. 213(8) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 19\(3\)](#)

#### Modifications etc. (not altering text)

- C65** S. 213 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, 22

#### Commencement Information

- I66** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

<sup>F485</sup>High income excess relief charge

#### Textual Amendments

- F485** Ss. 213A-213P and cross-heading inserted (with effect for tax year 2011-12 and subsequent tax years in accordance with [Sch. 2 para. 5](#) of the amending Act) by [Finance Act 2010 \(c. 13\)](#), [Sch. 2 para. 2](#); which insertion fell without ever having effect as a result of the repeal (10.12.2010) of the affecting provision by [The Finance Act 2010, Section 23 and Schedule 2 \(High Income Excess Relief Charge\) \(Repeal\) Order 2010 \(S.I. 2010/2938\)](#), arts. 1, 2

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### **213A High income excess relief charge**

- (1) A charge to income tax, to be known as the high income excess relief charge, arises where—
  - (a) an individual who is a member of one or more registered pension schemes has a high income for a tax year, and
  - (b) there is a total pension savings amount in the case of the individual for the tax year.
- (2) The person liable to the high income excess relief charge is the individual.
- (3) The individual is liable to the high income excess relief charge whether or not—
  - (a) the individual, and
  - (b) the scheme administrator of the pension scheme or schemes concerned, are UK resident, ordinarily UK resident or domiciled in the United Kingdom.
- (4) The high income excess relief charge is a charge at the appropriate rate in respect of the total pension savings amount.
- (5) The total pension savings amount is not to be treated as income for any purpose of the Tax Acts apart from this Part.
- (6) In calculating the individual's liability to income tax for the tax year the amount of any income tax to which the individual is liable under this section is to be added at Step 7 of the calculation in section 23 of ITA 2007 (which applies as if this section were a provision listed in section 30 of that Act).
- (7) The following sections make further provision about the high income excess relief charge—
  - (a) sections 213B to 213D (high income),
  - (b) section 213E (the appropriate rate),
  - (c) sections 213F to 213N (total pension savings amount),
  - (d) section 213O (anti-avoidance), and
  - (e) section 213P (power to amend).

### **213B High income**

An individual has a high income for a tax year if—

- (a) the individual's gross income for the tax year is £150,000 or more, and
- (b) the individual's relevant income for the tax year is not less than £130,000.

### **213C Gross income**

To find the individual's gross income for a tax year take the following steps—

*Step 1* Identify the individual's total income for the tax year.

*Step 2* Add the amount of any deductions made from any employment income of the individual for the tax year under Part 12 of ITEPA 2003 (payroll giving), under section 193(2) of this Act or under Chapter 2 of Part 5 of ITEPA 2003 (employee's expenses) in accordance with paragraph 51 of Schedule 36 to this Act.

*Step 3* Deduct the amount of any relief under the provisions listed in section 24 of ITA 2007, other than Chapter 3 of Part 8 of that Act (gifts of shares, securities

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or real property to charity) and sections 193(4) and 194(1) of this Act, to which the individual is entitled for the tax year.

*Step 4* Add so much of the amount that is the total pension savings amount in the case of the individual for the tax year as remains after deducting from it the amount of any relievable pension contributions paid by or on behalf of the individual during the tax year.

### **213D Relevant income**

(1) To find the individual's relevant income for a tax year take the following steps—

*Step 1* Identify the individual's total income for the tax year.

*Step 2* Add the amount of any deductions made from any employment income of the individual for the tax year under Part 12 of ITEPA 2003 (payroll giving), under section 193(2) of this Act or under Chapter 2 of Part 5 of ITEPA 2003 (employee's expenses) in accordance with paragraph 51 of Schedule 36 to this Act.

*Step 3* Deduct the amount of any relief under the provisions listed in section 24 of ITA 2007, other than Chapter 3 of Part 8 of that Act (gifts of shares, securities or real property to charity) and sections 193(4) and 194(1) of this Act, to which the individual is entitled for the tax year.

*Step 4* Add any amount by which what would otherwise be general earnings or specific employment income of the individual for the tax year has been reduced by relevant salary sacrifice arrangements or relevant flexible remuneration arrangements.

The result is the individual's relevant income for the tax year.

(2) In subsection (1)—

“relevant salary sacrifice arrangements” means arrangements under which the individual gives up the right to receive general earnings or specific employment income in return for the making of relevant pension provision and which are made on or after 22 April 2009 (whether before or after the employment in question began);

“relevant flexible remuneration arrangements” means arrangements under which the individual and an employer of the individual agree that relevant pension provision is to be made rather than the individual receive some description of employment income and which are made on or after 22 April 2009 (whether before or after the employment in question began).

(3) In subsection (2) “relevant pension provision” means the payment of contributions (or additional contributions) to a pension scheme in respect of the individual or otherwise (by an employer of the individual or any other person) to secure an increase in the amount of benefits to which the individual or any person who is a dependant of, or is connected with, the individual is actually or prospectively entitled under a pension scheme.

(4) Section 993 of ITA 2007 (meaning of “connected” persons) applies for the purposes of subsection (3).

### **213E The appropriate rate**

(1) “The appropriate rate”, in relation to the total pension savings amount in the case of the individual for a tax year, is—

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- (a) 0% in relation to so much (if any) of that amount as, when added to the individual's reduced net income for the tax year, does not exceed the basic rate limit,
  - (b) 20% in relation to so much (if any) of that amount as, when so added, exceeds the basic rate limit but does not exceed the higher rate limit, and
  - (c) 30% in relation to so much (if any) of that amount as, when so added, exceeds the higher rate limit.
- (2) But where the individual's gross income for the tax year is less than £180,000, the percentages in subsection (1)(b) and (c) are each reduced (but to no less than 0%) by 1 percentage point for every £1,000 by which it is less than £180,000.
- (3) The individual's reduced net income for the tax year is the amount after taking step 3 in section 23 of ITA 2007 in the case of the individual for the tax year.
- (4) Where the basic rate limit or the higher rate limit for the tax year is (in accordance with section 192 of this Act and section 414 of ITA 2007) increased in the case of the individual, the references to the limit in subsection (1) are to the limit as so increased.

### **213F Total pension savings amount**

- (1) The total pension savings amount in the case of an individual for a tax year is arrived at by aggregating the pension savings amounts in respect of each arrangement relating to the individual under a registered pension scheme of which the individual is a member.
- (2) The pension savings amount in respect of an arrangement—
- (a) is the amount arrived at under section 213G if it is a money purchase arrangement other than a cash balance arrangement,
  - (b) is the amount arrived at under section 213H if it is a cash balance arrangement,
  - (c) is the amount arrived at under section 213J if it is a defined benefits arrangement, and
  - (d) is the amount arrived at under section 213N if it is a hybrid arrangement.
- (3) Where the pension savings amount in respect of an arrangement would otherwise be a negative amount it is to be taken to be nil.
- (4) Where—
- (a) the total pension input amount in the case of the individual under section 229 for the tax year, exceeds
  - (b) the amount of the annual allowance for the tax year,
- the total pension savings amount in the case of the individual for the tax year is reduced by the amount of the excess.
- (5) The Treasury may by regulations make provision—
- (a) for an arrangement relating to the individual to be left out of account in arriving at the total pension savings amount in the case of the individual for a tax year if the individual meets the condition in subsection (6) throughout the tax year and such conditions as are prescribed by the regulations are met, and
  - (b) for modifying the operation of any of the provisions relating to the high income excess relief charge in relation to an arrangement relating to the individual for a tax year if the individual meets the condition in subsection (6) for only part of the tax year and such conditions as are prescribed by the regulations are met.

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- (6) The condition in this subsection, in relation to the individual and an arrangement under a pension scheme, is that the individual is a deferred member of the pension scheme (or would be if it were the only arrangement under the pension scheme relating to the individual).

### **213G Money purchase arrangements other than cash balance arrangements**

- (1) The pension savings amount in respect of a money purchase arrangement other than a cash balance arrangement is the total of—
- (a) any relievable pension contributions paid by or on behalf of the individual under the arrangement, and
  - (b) contributions paid in respect of the individual under the arrangement by an employer of the individual,
- during the tax year.
- (2) The references to contributions in subsection (1)(a) and (b) do not include minimum payments under—
- (a) section 8 of the Pension Schemes Act 1993, or
  - (b) section 4 of the Pension Schemes (Northern Ireland) Act 1993,
- or any amount recovered under regulations made under subsection (3) of either of those sections.
- (3) When at any time contributions paid under a pension scheme by an employer otherwise than in respect of any individual become held for the purposes of the provision under an arrangement under the pension scheme of benefits to or in respect of an individual, they are to be treated as being contributions paid at that time in respect of the individual under the arrangement.
- (4) If during the tax year the individual becomes entitled to a serious ill-health lump sum under the arrangement or dies, the pension savings amount in the case of the individual in respect of the arrangement is nil.

### **213H Cash balance arrangements**

- (1) The pension savings amount in respect of a cash balance arrangement is the appropriate increase.
- (2) The appropriate increase is—

$$(ACR \times CARARF) - (UOR \times OARARF)$$

where—

ACR is the amount of the closing rights (see subsection (3)), adjusted in accordance with section 213I,

CARARF is the factor which is the appropriate age-related factor (see section 213L) in relation to the closing rights,

UOR is the amount of the opening rights (see subsection (4)), uprated in accordance with section 213M, and

OARARF is the factor which is the appropriate age-related factor (see section 213L) in relation to the opening rights.

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- (3) The amount of the closing rights is the amount which would, on the relevant assumptions, be available for the provision of benefits to or in respect of the individual under the arrangement if the individual became entitled to the benefits at the end of the tax year.
- (4) The amount of the opening rights is the amount which would, on the relevant assumptions, be available for the provision of benefits to or in respect of the individual under the arrangement if the individual became entitled to the benefits at the end of the preceding tax year.
- (5) If, during the tax year, minimum payments are made under—
  - (a) section 8 of the Pension Schemes Act 1993, or
  - (b) section 4 of the Pension Schemes (Northern Ireland) Act 1993,
 in relation to the individual in connection with a cash balance arrangement, the amount is to be subtracted from what would otherwise be the pension savings amount in the case of the individual in respect of the arrangement.
- (6) If during the tax year the individual becomes entitled to a serious ill-health lump sum under the arrangement or dies, the pension savings amount in the case of the individual in respect of the arrangement is nil.
- (7) In this section and section 213J “the relevant assumptions” means—
  - (a) the valuation assumptions (see section 277) as modified by regulations made by the Treasury, and
  - (b) such other assumptions as the Treasury may by regulations prescribe.

### **213I Adjustment of closing rights**

- (1) This section applies for adjusting ACR under section 213H.
- (2) If, during the tax year, the rights of the individual under the arrangement have been reduced by having become subject to a pension debit, the amount of the reduction is to be added to ACR.
- (3) If, during the tax year, the rights of the individual under the arrangement have been increased by the individual having become entitled to a pension credit deriving from the same or another registered pension scheme, the amount of the increase is to be subtracted from ACR.
- (4) If, during the tax year, the rights of the individual under the arrangement have been reduced by reason of a transfer relating to the individual of any sums or assets held for the purposes of, or representing accrued rights under, the arrangement so as to become held for the purposes of, or to represent rights under, any other pension scheme that is—
  - (a) a registered pension scheme, or
  - (b) a qualifying recognised overseas pension scheme,
 the amount of the reduction is to be added to ACR.
- (5) If, during the tax year, the rights of the individual under the arrangement have been increased by reason of a transfer relating to the individual of any sums or assets held for the purposes of, or representing accrued rights under, any pension scheme so as to become held for the purposes of, or to represent rights under, the arrangement, the amount of the increase is to be subtracted from ACR.



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- (6) If, during the tax year, the rights of the individual under the arrangement have been reduced by any surrender made, or similar action taken, pursuant to an option available to the individual under the arrangement, the amount of the reduction is to be added to ACR.
- (7) If, during the tax year—
- benefit crystallisation event 1, 2, 3, or 4 occurs in relation to the individual and the arrangement,
  - benefit crystallisation event 6 so occurs by virtue of the individual becoming entitled to a pension commencement lump sum or a lifetime allowance excess lump sum, or
  - there is an allocation of rights of the individual under the arrangement (not falling within paragraph (a)),
- the amount of the reduction in the amount of the rights available for the provision of benefits to or in respect of the individual occurring by reason of the event or allocation is to be added to ACR.

## 213J Defined benefits arrangements

- (1) The pension savings amount in respect of a defined benefits arrangement is the aggregate of—
- the appropriate pension increase (see subsection (2)), and
  - the appropriate lump sum increase (see subsection (5)).
- (2) The appropriate pension increase is—
- $$(ACP \times CAPARF) - (UOP \times OAPARF)$$
- where—
- ACP is the amount of the closing pension (see subsection (3)), adjusted in accordance with section 213K,
- CAPARF is the factor which is the appropriate age-related factor (see section 213L) in relation to the closing pension,
- UOP is the amount of the opening pension (see subsection (4)), uprated in accordance with section 213M, and
- OAPARF is the factor which is the appropriate age-related factor (see section 213L) in relation to the opening pension.
- (3) The amount of the closing pension is the annual rate of the pension to which the individual would, on the relevant assumptions, be entitled under the arrangement if the individual became entitled to it at the end of the tax year.
- (4) The amount of the opening pension is the annual rate of the pension to which the individual would, on the relevant assumptions, be entitled under the arrangement if the individual became entitled to it at the end of the preceding tax year.
- (5) The appropriate lump sum increase is—

$$(ACLS \times CALSARF) - (UOLS \times OALSARF)$$

where—

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ACLS is the amount of the closing lump sum (see subsection (6)), adjusted in accordance with section 213K,

CALSARF is the factor which is the appropriate age-related factor (see section 213L) in relation to the closing lump sum,

UOLS is the amount of the opening lump sum (see subsection (7)), uprated in accordance with section 213M, and

OALSARF is the factor which is the appropriate age-related factor (see section 213L) in relation to the opening lump sum.

- (6) The amount of the closing lump sum is the amount of the lump sum to which the individual would, on the relevant assumptions, be entitled under the arrangement if the individual became entitled to it at the end of the tax year.
- (7) The amount of the opening lump sum is the amount of the lump sum to which the individual would, on the relevant assumptions, be entitled under the arrangement if the individual became entitled to it at the end of the preceding tax year.
- (8) If, during the tax year, minimum payments are made under—
  - (a) section 8 of the Pension Schemes Act 1993, or
  - (b) section 4 of the Pension Schemes (Northern Ireland) Act 1993,
 in relation to the individual in connection with a defined benefits arrangement, the amount is to be subtracted from what would otherwise be the pension savings amount in the case of the individual in respect of the arrangement.
- (9) If during the tax year the individual becomes entitled to a serious ill-health lump sum under the arrangement or dies, the pension savings amount in the case of the individual in respect of the arrangement is nil.

### **213K Adjustment of closing pension and lump sum**

- (1) This section applies for adjusting ACP and ACLS under section 213J.
- (2) If, during the tax year, the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has been reduced by having become subject to a pension debit, the amount of the reduction is to be added to ACP or ACLS.
- (3) If, during the tax year, the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has been increased by the individual having become entitled to a pension credit deriving from the same or another registered pension scheme, the amount of the increase is to be subtracted from ACP or ACLS.
- (4) If, during the tax year, the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has been reduced by reason of a transfer relating to the individual of any sums or assets held for the purposes of, or representing accrued rights under, the arrangement so as to become held for the purposes of, or to represent rights under, any other pension scheme that is—
  - (a) a registered pension scheme, or
  - (b) a qualifying recognised overseas pension scheme,
 the amount of the reduction is to be added to ACP or ACLS.

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- (5) If, during the tax year, the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has been increased by reason of a transfer relating to the individual of any sums or assets held for the purposes of, or representing accrued rights under, any pension scheme so as to become held for the purposes of, or to represent rights under, the arrangement, the amount of the increase is to be subtracted from ACP or ACLS.
- (6) If, during the tax year, the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has been reduced by any commutation, allocation or surrender made, or similar action taken, pursuant to an option available to the individual under the arrangement, the amount of the reduction is to be added to ACP or ACLS.
- (7) If, during the tax year—
  - (a) benefit crystallisation event 2 or 3 occurs in relation to the individual and the arrangement, or
  - (b) benefit crystallisation event 6 occurs in relation to the individual and the arrangement by virtue of the individual becoming entitled to a pension commencement lump sum or a lifetime allowance excess lump sum,the annual rate of the pension, or the amount of the lump sum, to which the individual became entitled (otherwise than by commutation of lump sum or of pension) is to be added to ACP or ACLS.

## **213L Age-related factors**

- (1) The Treasury must make regulations about age-related factors.
- (2) Different provision may be made in relation to rights age-related factors and lump sum age-related factors, on the one hand, and pension age-related factors on the other.
- (3) For the purposes of sections 213H and 213J the “appropriate” age-related factor is the age-related factor which applies in the case of the individual, and the amount of the rights or lump sum, or rate of the pension, in accordance with the regulations.
- (4) Regulations under subsection (1) must make provision for the age-related factor or factors applying in the case of the individual to be arrived at by reference to—
  - (a) the age of the individual, and
  - (b) the relevant normal pension age,at the relevant time.
- (5) The relevant time, in relation to factors for a tax year, is the end of the tax year unless the case is one in which there is a change in the relevant normal pension age during the tax year.
- (6) In that case, the relevant time, in relation to the relevant normal pension age and the opening rights, opening pension or opening lump sum for the tax year, is the end of the previous tax year.
- (7) Regulations under subsection (1) may make provision for the age-related factor or factors applying in the case of an individual and an arrangement to vary according to the nature and extent of the benefits which may be provided to or in respect of the individual under the arrangement.

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- (8) Before making the first regulations under subsection (1) the Treasury must seek advice from the Government Actuary or the Deputy Government Actuary.
- (9) Before making any other regulations under subsection (1) the Treasury must carry out a review of the provision made by the regulations for the time being in force under this section; and when conducting such a review the Treasury must seek advice from the Government Actuary or the Deputy Government Actuary.
- (10) The Treasury must carry out a review of the provision made by the regulations for the time being in force under subsection (1)—
  - (a) no later than the end of the period of 5 years beginning with the day on which the first regulations are made under this section, and
  - (b) no later than the end of the period of 5 years beginning with the last review of the provision made by the regulations for the time being in force under this section.
- (11) In this section “the relevant normal pension age”, in relation to an individual and an arrangement, means the age at which the individual would be unconditionally entitled to benefits under the arrangement without any reduction on account of age (assuming that the individual were a deferred member of the pension scheme under which it is an arrangement and it were the only arrangement under the pension scheme relating to the individual).
- (12) But the Treasury may by regulations make provision for the relevant normal pension age to be the age specified in, or determined in accordance with, the regulations in cases of such descriptions as are specified in the regulations.
- (13) The Treasury may by regulations make provision modifying the operation of sections 213H to 213K in relation to cases where the relevant normal pension age in relation to an individual and an arrangement is not the same in relation to all the rights or benefits under the arrangement.

### **213M Uprating of opening rights, pension and lump sum**

- (1) This section applies for uprating UOR under section 213H and UOP and UOLS under section 213J.
- (2) Each is to be increased by the appropriate percentage.
- (3) The appropriate percentage for a tax year is the percentage arrived at for the tax year in accordance with provision made by order made by the Treasury.
- (4) An order under subsection (3)—
  - (a) must make provision for securing that the appropriate percentage for a tax year reflects any decrease in the value of money over a specified period, and
  - (b) may do so by reference to any movement in a specified index, or an average of any movements in specified indices, over a specified period.
- (5) If an order is made under subsection (3) which amends any provision included in an order by virtue of subsection (4)(b), the Treasury must as soon as reasonably practicable after the making of the order carry out a review of the provision made by the regulations for the time being in force under section 213L(1).

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### **213N Hybrid arrangements**

- (1) The pension savings amount in respect of a hybrid arrangement is the greater or greatest of such of amounts A, B and C as are relevant amounts.
- (2) An amount is a relevant amount in the case of a hybrid arrangement if, in any circumstances, the benefits that may be provided to or in respect of the individual under the arrangement may be benefits of the variety mentioned in the definition of that amount.
- (3) Amount A is what would be the pension savings amount under section 213G if the benefits provided to or in respect of the individual under the arrangement were money purchase benefits other than cash balance benefits.
- (4) Amount B is what would be the pension savings amount under section 213H if the benefits provided to or in respect of the individual under the arrangement were cash balance benefits.
- (5) Amount C is what would be the pension savings amount under section 213J if the benefits provided to or in respect of the individual under the arrangement were defined benefits.

### **213O Anti-avoidance**

- (1) This section applies if a high income excess relief charge scheme applies in the case of the individual for the tax year.
- (2) A scheme is a high income excess relief charge scheme if in the case of the individual for the tax year conditions A to C are met.
- (3) Condition A is that it is reasonable to assume that the main purpose, or one of the main purposes, of the scheme is to avoid the whole or any part of the liability of the individual to the high income excess relief charge for the tax year.
- (4) Condition B is that the scheme involves either or both of the following—
  - (a) reducing the individual's gross income or relevant income for the tax year, and
  - (b) reducing the total pension savings amount in the case of the individual for the tax year.
- (5) Condition C is that the scheme involves the reduction, or any of the reductions, being redressed by—
  - (a) an increase in the individual's gross income or relevant income, or the total pension savings amount in the case of the individual, for a different tax year, or
  - (b) the provision at any time of some other benefit to or for the benefit of the individual or any person who is a dependant of, or is connected with, the individual.
- (6) The individual is to be treated for the purposes of the high income excess relief charge as if—
  - (a) the individual's gross income and relevant income for the tax year, and
  - (b) the total pension savings amount in the case of the individual for the tax year, were what they would be apart from the scheme.
- (7) In this section “scheme” includes any arrangement, agreement, understanding, transaction or series of transactions (whether or not legally enforceable).

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- (8) Section 993 of ITA 2007 (meaning of “connected” persons) applies for the purposes of subsection (5).

### **213P Power to make regulations about charge**

- (1) The Treasury may by regulations make provision about the high income excess relief charge.
- (2) The provision may include modifications of any provision made in sections 213A to 213O.
- (3) The provision may include provision consequential on, or supplementary or incidental to, the provision made by those sections and transitional provisions (including provision making modifications of enactments).
- (4) The provision may not include provision increasing any person's liability to tax.
- (5) “Modifications” includes amendments.]

### *Lifetime allowance charge*

### **214 Lifetime allowance charge**

- (1) A charge to income tax, to be known as the lifetime allowance charge, arises where—
  - (a) a benefit crystallisation event occurs in relation to an individual who is a member of one or more registered pension schemes, and
  - (b) either the first lifetime allowance charge condition or the second lifetime allowance charge condition is met.
- (2) The first lifetime allowance charge condition is that—
  - (a) the whole or any part of the individual's lifetime allowance is available on the benefit crystallisation event, but
  - (b) the amount crystallised by the benefit crystallisation event exceeds the amount of the individual's lifetime allowance which is available on the benefit crystallisation event.
- (3) The second lifetime allowance charge condition is that none of the individual's lifetime allowance is available on the benefit crystallisation event.
- (4) The following sections make further provision about the lifetime allowance charge—
  - section 215 (amount of charge),
  - section 216 and Schedule 32 (benefit crystallisation events and amounts crystallised),
  - section 217 (persons liable to charge),
  - section 218 (individual's lifetime allowance and standard lifetime allowance),
  - section 219 (availability of individual's lifetime allowance), and
  - sections 220 to 226 (lifetime allowance enhancement factors).
- (5) In sections 215 to 219—
  - (a) references to “the individual”, in relation to the lifetime allowance charge, are to the individual in relation to whom the benefit crystallisation event giving rise to the charge occurs, and

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- (b) references to “the pension scheme”, in relation to the lifetime allowance charge, are to the pension scheme to which the benefit crystallisation event giving rise to the charge, or the amount crystallised by it, relates.
- (6) Schedule 36 contains (in Part 2) transitional provision about the lifetime allowance charge.

**Modifications etc. (not altering text)**

- C66** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#)))
- C67** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), [5-11](#)
- C68** S. 214 modified (1.4.2012) by [The Postal Services Act 2011 \(Taxation\) Regulations 2012 \(S.I. 2012/764\)](#), regs. 1(1), [24](#); [S.I. 2012/687](#); [S.I. 2012/688](#); [S.I. 2012/966](#)

**Commencement Information**

- I67** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

**215 Amount of charge**

- (1) The lifetime allowance charge is a charge in respect of the chargeable amount.
  - (2) The lifetime allowance charge is a charge—
    - (a) at the rate of 55% in respect of so much (if any) of the chargeable amount as constitutes the lump-sum amount, and
    - (b) at the rate of 25% in respect of so much (if any) of the chargeable amount as constitutes the retained amount.
- [<sup>F486</sup>(2A) The Treasury may by order amend subsection (2) so as to vary the rates of the lifetime allowance charge.
- (2B) An order under subsection (2A) may make provision for there to be different rates in different circumstances.]
- (3) The “chargeable amount” is the aggregate of—
    - (a) the basic amount, and
    - (b) any amount which is treated as forming part of the lump-sum amount under subsection (6) or of the retained amount under subsection (8).
  - (4) The “basic amount”—
    - (a) if the first lifetime allowance [<sup>F487</sup>charge] condition is met, is the amount by which the amount crystallised by the benefit crystallisation event exceeds the amount of the individual’s lifetime allowance available on it, and
    - (b) if the second lifetime allowance charge condition is met, is the amount crystallised by the benefit crystallisation event.
  - (5) The “lump-sum amount” is the aggregate of—
    - (a) so much of the basic amount as is paid as a lump sum to the individual or a lump sum death benefit in respect of the individual, and
    - (b) any amount which is treated as forming part of the lump-sum amount under subsection (6).

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- (6) If and to the extent that the tax payable under this section on any of the lump-sum amount is covered by a scheme-funded tax payment, it is to be treated as itself forming part of the lump-sum amount.
- (7) The “retained amount” is the aggregate of—
- (a) so much of the basic amount as is not paid as a lump sum to the individual or a lump sum death benefit in respect of the individual, and
  - (b) any amount which is treated as forming part of the retained amount under subsection (8).
- (8) If and to the extent that the tax payable under this section on any of the retained amount is covered by a scheme-funded tax payment, it is to be treated as itself forming part of the retained amount.
- (9) An amount of tax payable under this section is “covered by a scheme-funded tax payment” if—
- (a) the tax is paid by the scheme administrator, <sup>F488</sup> ...
  - <sup>F488</sup>(b) .....
- <sup>F489</sup>(10) .....
- (11) The chargeable amount is not to be treated as income for any purpose of the Tax Acts.

#### Textual Amendments

- F486** S. 215(2A)(2B) inserted (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 2 para. 14**
- F487** Word in s. 215(4)(a) inserted (21.7.2008) by [Finance Act 2008 \(c. 9\)](#), **Sch. 29 para. 15**
- F488** S. 215(9)(b) and word repealed (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), Sch. 10 paras. 41(a), 64(1), **Sch. 11 Pt. 4**
- F489** S. 215(10) repealed (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), Sch. 10 paras. 41(b), 64(1), **Sch. 11 Pt. 4**

#### Modifications etc. (not altering text)

- C66** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), **Sch. 31 para. 11** (with [Sch. 36](#)))
- C67** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), **5-11**
- C69** S. 215(9) modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), **Sch. 3 Pt. 1**

#### Commencement Information

- I68** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 216 Benefit crystallisation events and amounts crystallised

- (1) This table sets out—
- (a) the events which are benefit crystallisation events in relation to the individual, and
  - (b) the amount which is crystallised by each of those events.



*Status: Point in time view as at 06/04/2021.*

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<b>BENEFIT CRYSTALLISATION EVENTS</b>	<b>AMOUNT CRYSTALLISED</b>
1. The designation of sums or assets held for the purposes of a money purchase arrangement under any of the relevant pension schemes as available for the payment of [ <sup>F490</sup> drawdown pension] to the individual	The aggregate of the amount of the sums and the market value of the assets designated
2. The individual becoming entitled to a scheme pension under any of the relevant pension schemes	$RVF \times P$
3. The individual, having become so entitled, becoming entitled to payment of the scheme pension, otherwise than in excepted circumstances, at an increased annual rate which [ <sup>F491</sup> — (a) exceeds the threshold annual rate, and (b)] exceeds by more than the permitted margin the rate at which it was payable on the day on which the individual became entitled to it	$RVF \times XP$
4. The individual becoming entitled to a lifetime annuity purchased under a money purchase arrangement under any of the relevant pension schemes	The aggregate of the amount of such of the sums, and the market value of such of the assets, representing the individual's rights under the arrangement as are applied to purchase the lifetime annuity [ <sup>F492</sup> and any related dependants' annuity][ <sup>F493</sup> and any related nominees' annuity]
5. The individual reaching the age of 75 when prospectively entitled to a scheme pension or a lump sum (or both) under a defined benefits arrangement under any of the relevant pension schemes	$(RVF \times DP) + DSLS$
[ <sup>F494</sup> 5A. The individual reaching the age of 75 having designated sums or assets held for the purposes of a money purchase arrangement under any of the relevant pension schemes as available for the payment of [ <sup>F495</sup> drawdown pension] to the individual	The aggregate of the amount of the sums and the market value of the assets representing the [ <sup>F496</sup> individual's drawdown pension fund] under the arrangement [ <sup>F497</sup> (if any)], plus the aggregate of the amount of the sums and the market value of the assets representing the individual's flexi-access drawdown fund under the arrangement (if any),] less the aggregate of amounts crystallised by benefit crystallisation

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<p>[<sup>F498</sup>5B. The individual reaching the age of 75 when there is a money purchase arrangement relating to the individual under any of the relevant pension schemes</p>	<p>event 1 in relation to the arrangement and the individual]          The amount of any remaining unused funds]</p>
<p>[<sup>F499</sup>5C. The designation, on or after 6 April 2015 but before the end of the relevant two-year period, of relevant unused uncrystallised funds as available for the payment, to a dependant or nominee of the individual, of (as the case may be) dependants' flexi-access drawdown pension or nominees' flexi-access drawdown pension</p>	<p>The aggregate of the amount of the sums and the market value of the assets designated]</p>
<p>[<sup>F500</sup>5D. A person becoming entitled, on or after 6 April 2015 but before the end of the relevant two-year period, to a dependants' annuity or nominees' annuity in respect of the individual if—</p> <p style="margin-left: 20px;">(a) the annuity is purchased using (whether or not exclusively) relevant unused uncrystallised funds, and</p> <p style="margin-left: 20px;">(b) the individual died on or after 3 December 2014</p>	<p>The aggregate of—</p> <p style="margin-left: 20px;">(a) the amount of such of the sums, and</p> <p style="margin-left: 20px;">(b) the market value of such of the assets,</p> <p>applied to purchase the annuity as are relevant unused uncrystallised funds]</p>
<p>6. The individual becoming entitled to a relevant lump sum under any of the relevant pension schemes</p>	<p>The amount of the lump sum [<sup>F501</sup>paid to the individual]</p>
<p>7. A person being paid a relevant lump sum death benefit in respect of the individual under any of the relevant pension schemes</p>	<p>The amount of the lump sum death benefit</p>
<p>8. The transfer of sums or assets held for the purposes of, or representing accrued rights under, any of the relevant pension schemes so as to become held for the purposes of or to represent rights under a qualifying recognised overseas pension scheme in connection with the individual's membership of that pension scheme</p>	<p>The aggregate of the amount of any sums transferred and the market value of any assets transferred</p>
<p>[<sup>F502</sup>9. If regulations under section 164(1)(f) so provide, the happening of an event prescribed in the regulations in relation to a payment prescribed in the regulations</p>	<p>An amount determined in accordance with the regulations]</p>

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(2) Schedule 32 gives the meaning of expressions used in the table in subsection (1).

### Textual Amendments

- F490** Words in s. 216(1) substituted (with effect in accordance with Sch. 16 paras. 85, 104(1) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 73(2)**
- F491** Words in s. 216(1) inserted (retrospective to 6.4.2006) by [Finance Act 2008 \(c. 9\)](#), **Sch. 29 paras. 5, 12(3)**
- F492** Words in s. 216(1) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), **Sch. 10 paras. 31, 64(1)**
- F493** Words in s. 216(1) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), **Sch. 4 para. 4(2)**
- F494** Words in s. 216(1) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 30**
- F495** Words in s. 216(1) substituted (with effect in accordance with Sch. 16 paras. 85, 104(1) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 73(3)(a)**
- F496** Words in s. 216(1) substituted (with effect in accordance with Sch. 16 paras. 85, 104(1) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 73(3)(b)**
- F497** Words in s. 216(1) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 16**
- F498** Words in s. 216(1) inserted (with effect in accordance with Sch. 16 paras. 85, 104(1) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 43**
- F499** Words in s. 216(1) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 21**
- F500** Words in s. 216(1) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), **Sch. 4 para. 4(3)**
- F501** Words in s. 216(1) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), **Sch. 10 paras. 42, 64(1)**
- F502** Words in s. 216 inserted (21.7.2008) by [Finance Act 2008 \(c. 9\)](#), **Sch. 29 para. 1(3)**

### Modifications etc. (not altering text)

- C66** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), **Sch. 31 para. 11** (with [Sch. 36](#)))
- C67** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), **5-11**
- C70** S. 216 applied (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **23(4)**
- C71** S. 216 modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), **29(1)(2)(5)**
- C72** S. 216 modified by S.I. 2006/572, art. 29A (as inserted (with effect in accordance with art. 1 of the amending S.I.) by [The Taxation of Pension Schemes \(Transitional Provisions\) \(Amendment\) Order 2006 \(S.I. 2006/1962\)](#), arts. 1, **3(3)**)
- C73** S. 216 modified (27.7.2010) by [Finance \(No. 2\) Act 2010 \(c. 31\)](#), **Sch. 3 para. 6(1)**
- C74** S. 216 modified (1.4.2015) by [The Police Pensions \(Consequential Provisions\) Regulations 2015 \(S.I. 2015/370\)](#), regs. 1(2), **14(2)(3)**
- C75** S. 216 modified (1.4.2015) by [The Armed Forces Pension \(Consequential Provisions\) Regulations 2015 \(S.I. 2015/390\)](#), regs. 1(2), **14(2)** (with reg. 14(1))
- C76** S. 216 modified (1.4.2015) by [The Firefighters' Pension Scheme \(England\) \(Consequential Provisions\) Regulations 2015 \(S.I. 2015/319\)](#), regs. 1(2), **13(2)(3)**
- C77** S. 216 applied (with modifications) (N.I.) (1.4.2015) by [The Firefighters' Pension Scheme \(Consequential Provisions\) Regulations \(Northern Ireland\) 2015 \(S.R. 2015/166\)](#), regs. 1, **12(2)**
- C78** S. 216 modified (1.4.2015) by [The Teachers' Pension Scheme \(Consequential Provisions\) \(Scotland\) Regulations 2015 \(S.S.I. 2015/146\)](#), regs. 1(2), **14(2)(3)** (with reg. 14(1))
- C79** S. 216 modified (1.4.2015) by [The Public Service \(Civil Servants and Others\) Pensions \(Consequential and Amendment\) Regulations 2015 \(S.I. 2015/372\)](#), regs. 1(2), **14(2)(3)**
- C80** S. 216 modified (1.4.2015) by [The National Health Service Pension Scheme \(Consequential Provisions\) \(Scotland\) Regulations 2015 \(S.S.I. 2015/145\)](#), regs. 1(2), **14(2)(3)** (with reg. 14(1))

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- C81** S. 216 applied (with modifications) (N.I.) (1.4.2015) by [The Teachers' Pension Scheme \(Consequential Provisions\) Regulations \(Northern Ireland\) 2015 \(S.R. 2015/170\)](#), regs. 1, **13(2)**
- C82** S. 216 applied (with modifications) (1.4.2015) by [The National Health Service Pension Scheme \(Consequential Provisions\) Regulations 2015 \(S.I. 2015/432\)](#), regs. 1(2), **14(3)**
- C83** S. 216 modified (S.) (1.4.2015) by [The Police Pensions \(Consequential Provisions\) \(Scotland\) Regulations 2015 \(S.S.I. 2015/118\)](#), regs. 1(3), **14(2)(3)** (with reg. 14(1))
- C84** S. 216 applied (with modifications) (N.I.) (1.4.2015) by [The Health Service Workers \(Consequential Provisions\) Regulations \(Northern Ireland\) 2015 \(S.R. 2015/167\)](#), regs. 1, **13(2)**
- C85** S. 216 applied (with modifications) (N.I.) (1.4.2015) by [The Public Service \(Civil Servants and Others\) Pensions \(Consequential Provisions\) Regulations \(Northern Ireland\) 2015 \(S.R. 2015/81\)](#), regs. 1(1), **13(2)**
- C86** S. 216 applied (with modifications) (N.I.) (1.4.2015) by [The Police Pensions \(Consequential Provisions\) Regulations \(Northern Ireland\) 2015 \(S.R. 2015/156\)](#), regs. 1(2), **13(2)**
- C87** S. 216 modified (1.4.2015) by [The Teachers' Pension Scheme \(Consequential Provisions\) Regulations 2015 \(S.I. 2015/436\)](#), regs. 1(2), **14(2)(3)** (with reg. 14(1))
- C88** S. 216 modified (S.) (1.4.2015) by [The Firefighters' Pension Scheme \(Consequential Provisions\) \(Scotland\) Regulations 2015 \(S.S.I. 2015/117\)](#), regs. 1(3), **13(2)(3)** (with reg. 13(1))
- C89** S. 216 modified (W.) (1.4.2015) by [The Firefighters Pension Scheme \(Wales\) \(Consequential Provisions\) Regulations 2015 \(S.I. 2015/848\)](#), regs. 1(2), **13(2)(3)** (with reg. 13(1))

#### Commencement Information

- I69** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 217 Persons liable to charge

- (1) The persons liable to the lifetime allowance charge are—
  - (a) the individual, and
  - (b) the scheme administrator of the pension scheme,
 and their liability is joint and several.

[<sup>F503</sup>(1A) Subsection (1) is subject to subsections (2) and (2A).]

- (2) [<sup>F504</sup>Where] the liability arises by reason of the payment of a relevant lump sum death benefit it is a liability of the person to whom the lump sum death benefit is paid.

[<sup>F505</sup>(2A) Where the liability arises by reason of a designation mentioned in the description of benefit crystallisation event 5C, [<sup>F506</sup>or by reason of a person becoming entitled to an annuity as mentioned in the description of benefit crystallisation event 5D,] it is a liability of the dependant or nominee (as the case may be).]

[<sup>F507</sup>(3) Subsection (4) applies if—

- (a) two or more relevant post-death benefit crystallisation events occur in respect of an individual, and
  - (b) tax is not chargeable on the whole of the total of the amounts crystallised by them.
- (4) The person liable under subsection (2) or (2A) to the lifetime allowance charge charged by reason of the occurrence of any one of the relevant post-death benefit crystallisation events is liable to such portion of the total amount of the tax payable by reason of the relevant post-death benefit crystallisation events having occurred as appears to an officer of Revenue and Customs to be just and reasonable.

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- (4A) For the purposes of subsections (3) and (4), a benefit crystallisation event is a “relevant post-death benefit crystallisation event” if it is benefit crystallisation event 5C [<sup>F508</sup>, 5D] or 7.]
- (5) A person is liable to the lifetime allowance charge whether or not—
- (a) that person,
  - (b) any other person who is liable to the lifetime allowance charge, and
  - (c) the scheme administrator (if not so liable),
- are resident<sup>F509</sup> ... or domiciled in the United Kingdom.

#### Textual Amendments

- F503** S. 217(1A) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 22\(2\)](#)
- F504** Word in s. 217(2) substituted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 22\(3\)](#)
- F505** S. 217(2A) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 22\(4\)](#)
- F506** Words in s. 217(2A) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 5\(2\)](#)
- F507** S. 217(3)-(4A) substituted for s. 217(3)(4) (6.4.2015) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 22\(5\)\(6\)](#)
- F508** Word in s. 217(4A) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 5\(3\)](#)
- F509** Words in s. 217(5) omitted (with effect in accordance with [Sch. 46 para. 132](#) of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 46 para. 127](#)

#### Modifications etc. (not altering text)

- C66** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#)))
- C67** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), [5-11](#)
- C90** S. 217 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), [Sch. 3 Pt. 1](#)

#### Commencement Information

- I70** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 218 Individual’s lifetime allowance and standard lifetime allowance

- (1) Subject as follows, the individual’s lifetime allowance is the standard lifetime allowance.
- [<sup>F510</sup>(2) The standard lifetime allowance for the tax years 2016-17 and 2017-18 is £1,000,000.
- (2A) The standard lifetime allowance for any later tax year (“the subsequent tax year”) is the same as the standard lifetime allowance for the tax year immediately preceding the subsequent tax year, unless subsection (2C) provides for it to be higher.
- (2B) Subsection (2C) applies if—
- (a) the consumer prices index for the month of September in any tax year (“the prior tax year”) is higher than it was for the previous September, and
  - (b) the prior tax year is the tax year 2017-18 or a later tax year.

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- (2C) The standard lifetime allowance for the tax year following the prior tax year is the standard lifetime allowance for the prior tax year—
- (a) increased by the percentage increase in the index, and
  - (b) if the result is not a multiple of £100, rounded up to the nearest amount which is such a multiple.
- (2D) The Treasury must before the tax year 2018-19, and before each subsequent tax year, make regulations specifying the amount given by subsections (2A) to (2C) as the standard lifetime allowance for the tax year concerned.]
- (4) Where one or more lifetime allowance enhancement factors operate in relation to a benefit crystallisation event occurring in relation to the individual, the individual's lifetime allowance at the time of the benefit crystallisation event is—

$$SLA + (SLA \times LAEF)$$

where—

SLA is the standard lifetime allowance at the time of the benefit crystallisation event, and

LAEF is the lifetime allowance enhancement factor which operates with respect to the benefit crystallisation event and the individual or (where more than one so operates) the aggregate of them.

- (5) The following make provision for the operation of lifetime allowance enhancement factors—
- section 220 (pension credits from previously crystallised rights),
  - sections 221 to 223 (individuals who are not always relevant UK individuals),
  - sections 224 to 226 (transfers from recognised overseas pension schemes),
  - paragraphs 7 to 11 of Schedule 36 (primary protection), and
  - paragraph 18 of that Schedule (pre-commencement pension credits).
- [<sup>F511</sup>(5A) Where the operation of a lifetime allowance enhancement factor is provided for by any of sections 220, 222, 223 and 224 and the time mentioned in the definition of SLA in the section concerned was before 6 April 2012, subsection (4) has effect as if the amount to be multiplied by LAEF were £1,800,000 (the standard lifetime allowance for the tax year 2011-12) if that is greater than SLA.
- (5B) Where the operation of a lifetime allowance enhancement factor is provided for by paragraph 7 of Schedule 36, subsection (4) has effect as if SLA were £1,800,000 (the standard lifetime allowance for the tax year 2011-12) if that is greater than SLA.
- [ Where the operation of a lifetime allowance enhancement factor is provided for by
- <sup>F512</sup>(5BA) any of sections 220, 222, 223 and 224 and the time mentioned in the definition of SLA in the section concerned fell within the period consisting of the tax year 2012-13 and the tax year 2013-14, subsection (4) has effect as if the amount to be multiplied by LAEF were £1,500,000 if that is greater than SLA.
- (5BB) Where more than one lifetime allowance enhancement factor operates, subsection (5BA) does not apply if subsection (5A) or (5B) applies.]

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[ Where the operation of a lifetime allowance enhancement factor is provided for by <sup>F513</sup>(5BC) any of sections 220, 222, 223 and 224 and the time mentioned in the definition of SLA in the section concerned fell within the period consisting of the tax year 2014-15 and the tax year 2015-16, subsection (4) has effect as if the amount to be multiplied by LAEF were £1,250,000 if that is greater than SLA.

(5BD) Where more than one lifetime allowance enhancement factor operates, subsection (5BC) does not apply if any of subsections (5A), (5B) and (5BA) applies.]

(5C) Where benefit crystallisation event 7 occurs on or after 6 April 2012 by reason of the payment of a relevant lump sum death benefit in respect of the death of the individual before that date, the standard lifetime allowance at the time of the benefit crystallisation event is £1,800,000 (the standard lifetime allowance for the tax year 2011-12).]

[<sup>F514</sup>(5D) Where benefit crystallisation event 7 occurs on or after 6 April 2014 by reason of the payment of a relevant lump sum death benefit in respect of the death of the individual during the period consisting of the tax year 2012-13 and the tax year 2013-14, the standard lifetime allowance at the time of the benefit crystallisation event is £1,500,000.]

[<sup>F515</sup>(5E) Where benefit crystallisation event 7 occurs on or after 6 April 2016 by reason of the payment of a relevant lump sum death benefit in respect of the death of the individual during the period consisting of the tax year 2014-15 and the tax year 2015-16, the standard lifetime allowance at the time of the benefit crystallisation event is £1,250,000.]

[<sup>F516</sup>(5F) Where—

(a) benefit crystallisation event 5C occurs by reason of the designation on or after 6 April 2015 of sums or assets held for the purposes of an arrangement relating to the individual, and

(b) the individual died before 6 April 2012,

the standard lifetime allowance at the time of the benefit crystallisation event is £1,800,000.

(5G) Where—

(a) benefit crystallisation event 5C occurs by reason of the designation on or after 6 April 2015 of sums or assets held for the purposes of an arrangement relating to the individual, and

(b) the individual died in the period consisting of the tax year 2012-13 and the tax year 2013-14,

the standard lifetime allowance at the time of the benefit crystallisation event is £1,500,000.

(5H) Where—

(a) benefit crystallisation event 5C occurs by reason of the designation on or after 6 April 2016 of sums or assets held for the purposes of an arrangement relating to the individual, and

(b) the individual died in the period consisting of the tax year 2014-15 and the tax year 2015-16,

the standard lifetime allowance at the time of the benefit crystallisation event is £1,250,000.

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(51) Where—

- (a) benefit crystallisation event 5D occurs by reason of a person becoming entitled on or after 6 April 2016 to an annuity in respect of the individual, and
- (b) the individual died in the period beginning with 3 December 2014 and ending with 5 April 2016,

the standard lifetime allowance at the time of the benefit crystallisation event is £1,250,000.]

(6) Paragraph 19 of that Schedule makes provision for the reduction of what would otherwise be the individual's lifetime allowance in certain cases where the individual is permitted to take pension before normal minimum pension age.

(7) In this Part references (however expressed) to a person's lifetime allowance at any time are to what would be the person's lifetime allowance, calculated in accordance with this section, if a benefit crystallisation event occurred in relation to the person at that time.

#### Textual Amendments

- F510** S. 218(2)-(2D) substituted for s. 218(2)(3) (with effect in accordance with s. 19(8) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 19\(2\)](#)
- F511** S. 218(5A)-(5C) inserted (with effect in accordance with Sch. 18 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\), Sch. 18 para. 2\(3\)](#)
- F512** S. 218(5BA)(5BB) inserted (with effect in accordance with Sch. 22 para. 6(4) of the amending Act) by [Finance Act 2013 \(c. 29\), Sch. 22 para. 6\(2\)](#)
- F513** S. 218(5BC)(5BD) inserted (with effect in accordance with s. 19(8) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 19\(3\)](#)
- F514** S. 218(5D) inserted (with effect in accordance with Sch. 22 para. 6(4) of the amending Act) by [Finance Act 2013 \(c. 29\), Sch. 22 para. 6\(3\)](#)
- F515** S. 218(5E) inserted (with effect in accordance with s. 19(8) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 19\(4\)](#)
- F516** S. 218(5F)-(5I) inserted (6.4.2015 retrospectively for specified purposes and at 6.4.2016 retrospectively in so far as not already in force in accordance with s. 19(9)) by [Finance Act 2016 \(c. 24\), s. 19\(5\)](#)

#### Modifications etc. (not altering text)

- C66** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\), s. 284\(1\), Sch. 31 para. 11](#) (with [Sch. 36](#)))
- C67** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\), regs. 1\(1\), 5-11](#)
- C91** S. 218 applied (1.6.2018) by [The Local Government Pension Scheme \(Scotland\) Regulations 2018 \(S.S.I. 2018/141\), regs. 1\(1\), 48\(2\)](#)
- C92** S. 218(2C)(2D) excluded (6.4.2021 for the tax years 2021-22, 2022-23, 2023-24, 2024-25 and 2025-26) by [Finance Act 2021 \(c. 26\), s. 28](#)

#### Commencement Information

- I71** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284



*Status: Point in time view as at 06/04/2021.*

*Changes to legislation: Finance Act 2004 is up to date with all changes known to be in force on or before 09 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

## 219 Availability of individual's lifetime allowance

- (1) This section is about the availability of the individual's lifetime allowance on the occurrence of a benefit crystallisation event in relation to the individual ("the current benefit crystallisation event").
  - (2) If no benefit crystallisation event has occurred in relation to the individual before the current benefit crystallisation event, the whole of the individual's lifetime allowance is available on the current benefit crystallisation event.
  - (3) If one or more benefit crystallisation events have occurred in relation to the individual before the current benefit crystallisation event—
    - (a) in a case in which the previously-used amount is equal to or greater than the amount of the individual's lifetime allowance, none of the individual's lifetime allowance is available on the current benefit crystallisation event, and
    - (b) in any other case, so much of the individual's lifetime allowance as is left after deducting the previously-used amount is available on the current benefit crystallisation event.
  - (4) The previously-used amount is—
    - (a) where one benefit crystallisation event has occurred in relation to the individual before the current benefit crystallisation event, the amount [<sup>F517</sup>which is the relevant untaxed amount in relation to] the previous benefit crystallisation event as adjusted under subsection (5), or
    - (b) where two or more benefit crystallisation events have occurred in relation to the individual before the current benefit crystallisation event, the aggregate of the amounts [<sup>F518</sup>which are the relevant untaxed amounts in relation to] each previous benefit crystallisation event as adjusted under subsection (5).
- [<sup>F519</sup>(4A) "The relevant untaxed amount", in relation to a previous benefit crystallisation event, is—
- (a) where no tax was charged in relation to the benefit crystallisation event, the amount in respect of which tax would have been so charged if none of the individual's lifetime allowance had been available, and
  - (b) where tax was charged in relation to the benefit crystallisation event, so much of the amount in respect of which tax would have been so charged if none of the individual's lifetime allowance had been available as exceeds the amount in respect of which tax was so charged.]
- (5) The adjustment of the [<sup>F520</sup>relevant untaxed amount in relation to] a previous benefit crystallisation event referred to in subsection (4)(a) and (b) is the multiplication of that amount by—

$$\frac{\text{CSLA}}{\text{PSLA}}$$

where—

CSLA is the standard lifetime allowance at the time of the current benefit crystallisation event, and

PSLA is the standard lifetime allowance at the time of the previous benefit crystallisation event.

*Status: Point in time view as at 06/04/2021.*

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- [<sup>F521</sup>(5A) If paragraph 7 of Schedule 36 (primary protection) makes provision for a lifetime allowance enhancement factor in relation to the individual, subsection (5) has effect [<sup>F522</sup>where the previous benefit crystallisation event occurred before 6 April 2014] as if CSLA were £1,500,000 if that is greater than CSLA.]
- (6) Where more than one benefit crystallisation event occurs in relation to an individual on the same day, it is for the individual to decide the order in which they are to be treated as occurring for the purposes of this section; but this subsection is subject to section 166(2) (entitlement to pension commencement lump sum to arise immediately before entitlement to associated pension).
- (7) Where more than one [<sup>F523</sup>relevant post-death] benefit crystallisation event occurs [<sup>F524</sup>... in respect of an [<sup>F525</sup>individual, the relevant post-death] benefit crystallisation events are to be treated for the purposes of this section as occurring immediately before the individual's death [<sup>F526</sup>but immediately after any benefit crystallisation event occurring immediately before the individual's death by virtue of section 166(2)].
- [<sup>F527</sup>(7A) For the purposes of subsection (7), a benefit crystallisation event is a “relevant post-death benefit crystallisation event” if it is benefit crystallisation event 5C [<sup>F528</sup>, 5D] or 7.]
- (8) Paragraph 20 of Schedule 36 makes provision affecting this section in relation to pre-commencement pensions.
- (9) In this Part references (however expressed) to the portion of a person's lifetime allowance that is available at any time are to the portion of the person's lifetime allowance that would be available, calculated in accordance with this section, if a benefit crystallisation event occurred in relation to the person at that time.

#### Textual Amendments

- F517** Words in s. 219(4)(a) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 31\(2\)\(a\)](#)
- F518** Words in s. 219(4)(b) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 31\(2\)\(b\)](#)
- F519** S. 219(4A) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 31\(3\)](#)
- F520** Words in s. 219(5) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 31\(4\)](#)
- F521** S. 219(5A) inserted (with effect in accordance with Sch. 22 para. 7(2) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 22 para. 7\(1\)](#)
- F522** Words in s. 219(5A) inserted (6.4.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 6 para. 10\(1\)\(2\)](#)
- F523** Words in s. 219(7) inserted (6.4.2015) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 23\(2\)\(a\)\(4\)](#)
- F524** Words in s. 219(7) omitted (6.4.2015) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 23\(2\)\(b\)\(4\)](#)
- F525** Words in s. 219(7) substituted (6.4.2015) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 23\(2\)\(c\)\(4\)](#)
- F526** Words in s. 219(7) inserted (retrospective to 6.4.2006) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 10, 24\(3\)](#)
- F527** S. 219(7A) inserted (6.4.2015) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 23\(3\)\(4\)](#)
- F528** Word in s. 219(7A) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), Sch. 4 para. 6

*Status: Point in time view as at 06/04/2021.*

*Changes to legislation: Finance Act 2004 is up to date with all changes known to be in force on or before 09 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

#### **Modifications etc. (not altering text)**

- C66** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#)))
- C67** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), [5-11](#)

#### **Commencement Information**

- I72** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## **220 Pension credits from previously crystallised rights**

- (1) This section makes provision for the operation of a lifetime allowance enhancement factor with respect to a benefit crystallisation event occurring in relation to an individual where—
- the individual has (at any time after 5th April 2006 but before the benefit crystallisation event) acquired rights under a registered pension scheme by reason of having become entitled to a pension credit,
  - the pension credit derived from the same or another registered pension scheme, and
  - the rights under that registered pension scheme which became subject to the corresponding pension debit consisted of or included rights to a post-commencement pension in payment.
- (2) “Post-commencement pension in payment” means a pension to which a person became (actually) entitled on or after 6th April 2006.
- (3) The lifetime allowance enhancement factor is the pension credit factor.
- (4) The pension credit factor is—

$$\frac{APC}{SLA}$$

where—

APC is [<sup>F529</sup>the post-commencement pension in payment portion of] the amount which is the appropriate amount for the purposes of section 29(1) of WRPA 1999 or Article 26(1) of WRP(NI)O 1999 in relation to the pension credit, and

SLA is the standard lifetime allowance at the time when the rights were acquired.

- [<sup>F530</sup>(4A) The post-commencement pension in payment portion of the appropriate amount referred to in the definition of APC—
- in a case where the appropriate amount is arrived at under section 29(2) or (3) (b) of WRPA 1999 or Article 26(2) or (3)(b) of WRP(NI)O 1999, is so much of that amount as is attributable to rights to a post-commencement pension in payment, and
  - in a case where the appropriate amount is arrived at under section 29(3)(a) of WRPA 1999 or Article 26(3)(a) of WRP(NI)O 1999, is so much of that amount as is just and reasonable.]

*Status: Point in time view as at 06/04/2021.*

*Changes to legislation: Finance Act 2004 is up to date with all changes known to be in force on or before 09 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

- (5) This section only applies if notice of intention to rely on it is given to the Inland Revenue in accordance with regulations made by the Board of Inland Revenue.

#### Textual Amendments

**F529** Words in s. 220(4) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 45\(2\)](#), 64(1)

**F530** S. 220(4A) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 45\(3\)](#), 64(1)

#### Modifications etc. (not altering text)

**C66** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#)))

**C67** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), [5-11](#)

#### Commencement Information

**I73** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 221 Non-residence: general

- (1) This section makes provision for the operation of a lifetime allowance enhancement factor with respect to a benefit crystallisation event occurring in relation to an individual where, during any part of the period that is the active membership period in relation to an arrangement relating to the individual under a registered pension scheme, the individual is a relevant overseas individual.
- (2) Section 222 provides the lifetime allowance enhancement factor in the case of an arrangement that is a money purchase arrangement; and section 223 provides the lifetime allowance enhancement factor in the case of any other arrangement.
- (3) For the purposes of this Part an individual is a relevant overseas individual at any time if, at that time, the individual either is not a relevant UK individual or—
- (a) is a relevant UK individual only by virtue of paragraph (c) of section 189(1) (individuals resident in UK at some time in previous five tax years), and
  - (b) is not employed by a person resident in the United Kingdom.
- (4) In this section and sections 222 and 223 “the active membership period”, in relation to a benefit crystallisation event occurring in relation to an arrangement relating to the individual, is the period—
- (a) beginning with the date on which the benefits first began to accrue to or in respect of the individual under the arrangement or, if later, 6th April 2006, and
  - (b) ending immediately before the benefit crystallisation event.
- (5) But if benefits ceased to accrue to or in respect of the individual under the arrangement before the benefit crystallisation event, the active membership period is to be treated as having ended then.
- (6) This section only applies if notice of intention to rely on it is given to the Inland Revenue in accordance with regulations made by the Board of Inland Revenue.

*Status: Point in time view as at 06/04/2021.*

*Changes to legislation: Finance Act 2004 is up to date with all changes known to be in force on or before 09 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

**Modifications etc. (not altering text)**

- C66** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#)))
- C67** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), [5-11](#)

**Commencement Information**

- I74** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

**222 Non-residence: money purchase arrangements**

- (1) This section applies in the case of an arrangement that is a money purchase arrangement.
- (2) The lifetime allowance enhancement factor is—
  - (a) if the arrangement is a cash balance arrangement, the cash balance arrangement non-residence factor (see subsections (3) to (5)), and
  - (b) if the arrangement is any other sort of money purchase arrangement, the other money purchase arrangement non-residence factor (see subsections (6) and (7)).
- (3) The cash balance arrangement non-residence factor is—
  - (a) the factor arrived at by the application of subsection (4) in relation to the part of the active membership period during which the individual was a relevant overseas individual, or
  - (b) if there have been two or more parts of that period during which the individual was a relevant overseas individual, the aggregate of the factors arrived at by the application of subsection (4) in relation to each of those parts of that period.
- (4) The factor arrived at by the application of this subsection in relation to any part of the active membership period is—

$$\frac{CV - OV}{SLA}$$

where—

CV is the closing value of the individual's rights under the arrangement,

OV is the opening value of the individual's rights under the arrangement, and

SLA is the standard lifetime allowance at the time when that part of that period ended.

- (5) For the purposes of subsection (4)—
  - (a) the closing value of the individual's rights under the arrangement is the amount which would, on the valuation assumptions (see section 277), be available for the provision of benefits to or in respect of the individual under the arrangement if the individual became entitled to the benefits at the end of that part of that period, and

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- (b) the opening value of the individual's rights under the arrangement is the amount which would, on the valuation assumptions, be available for the provision of benefits to or in respect of the individual under the arrangement if the individual became entitled to the benefits at the beginning of that part of that period.
- (6) The other money purchase arrangement non-residence factor is—
- (a) the factor arrived at by the application of subsection (7) in relation to the part of the active membership period during which the individual was a relevant overseas individual, or
- (b) if there have been two or more parts of that period during which the individual was a relevant overseas individual, the aggregate of the factors arrived at by the application of subsection (7) in relation to each of those parts of that period.
- (7) The factor arrived at by the application of this subsection in relation to any part of the active membership period is—

$$\frac{\text{ROIC}}{\text{SLA}}$$

where—

ROIC is the amount of the contributions made under the arrangement by or in respect of the individual in any part of the active membership period during which the individual is a relevant overseas individual, and

SLA is the standard lifetime allowance at the time when that part of that period ended.

**Modifications etc. (not altering text)**

- C66** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#)))
- C67** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), [5-11](#)
- C93** S. 222 modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), [12](#), [13](#)

**Commencement Information**

- I75** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

**223 Non-residence: other arrangements**

- (1) This section applies in the case of an arrangement that is not a money purchase arrangement.
- (2) The lifetime allowance enhancement factor is—
- (a) if the arrangement is a defined benefits arrangement, the defined benefits arrangement non-residence factor (see subsections (3) and (4)), and
- (b) if the arrangement is a hybrid arrangement, the hybrid arrangement non-residence factor (see subsections (5) to (7)).

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- (3) The defined benefits arrangement non-residence factor is—
- (a) the factor arrived at by the application of subsection (4) in relation to the part of the active membership period during which the individual was a relevant overseas individual, or
  - (b) if there have been two or more parts of that period during which the individual was a relevant overseas individual, the aggregate of the factors arrived at by the application of subsection (4) in relation to each of those parts of that period.
- (4) The factor arrived at by the application of this subsection in relation to any part of the active membership period is—

$$\frac{(RVF \times PE + LSE) - (RVF \times PB + LSB)}{SLA}$$

where—

RVF is the relevant valuation factor (see section 276),

PE is the amount of the annual rate of the pension which would, on the valuation assumptions (see section 277), be payable to the individual under the arrangement if the individual became entitled to payment of it at the end of that part of that period,

LSE is the amount of the lump sum to which the individual would, on the valuation assumptions, be entitled under the arrangement (otherwise than by commutation of pension) if the individual became entitled to payment of it at the end of that part of that period,

PB is the amount of the annual rate of the pension which would, on the valuation assumptions, be payable to the individual under the arrangement if the individual became entitled to payment of it at the beginning of that part of that period,

LSB is the amount of the lump sum to which the individual would, on the valuation assumptions, be entitled under the arrangement (otherwise than by commutation of pension) if the individual became entitled to payment of it at the beginning of that part of that period, and

SLA is the standard lifetime allowance at the time when that part of that period ended.

- (5) The hybrid arrangement non-residence factor is the greater or greatest of such of—
- (a) what would be the cash balance arrangement non-residence factor (under section 222) if the arrangement were a cash balance arrangement,
  - (b) what would be the other money purchase arrangement non-residence factor (under that section) if the arrangement were any other sort of money purchase arrangement, and
  - (c) what would be the defined benefits arrangement non-residence factor (under subsections (3) and (4)) if the arrangement were a defined benefits arrangement,
- as are relevant factors in relation to the arrangement.
- (6) A factor is a relevant factor in relation to a hybrid arrangement if, in any circumstances, the benefits that may be provided to or in respect of the individual under the arrangement may be benefits linked to that factor.

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- (7) For that purpose—
- (a) cash balance benefits are linked to the cash balance arrangement non-residence factor,
  - (b) other money purchase benefits are linked to the other money purchase arrangement non-residence factor, and
  - (c) defined benefits are linked to the defined benefits arrangement non-residence factor.

**Modifications etc. (not altering text)**

- C66** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#)))
- C67** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), [5-11](#)
- C94** S. 223 modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), [12](#), [14](#)

**Commencement Information**

- I76** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

**224 Transfers from recognised overseas pension scheme: general**

- (1) This section makes provision for the operation of a lifetime allowance enhancement factor with respect to a benefit crystallisation event occurring in relation to an individual where (at any time after 5th April 2006 but before the benefit crystallisation event) there has been a recognised overseas scheme transfer.
- (2) There is a “recognised overseas scheme transfer” if any sums or assets—
  - (a) held for the purposes of an arrangement under a recognised overseas pension scheme, or
  - (b) representing accrued rights under such an arrangement,
 are transferred so as to become held for the purposes of, or to represent rights under, an arrangement under a registered pension scheme relating to the individual.
- (3) The arrangement specified in subsection (2)(a) or (b) is referred to in this section and sections 225 and 226 as the “recognised overseas scheme arrangement”.
- (4) The lifetime allowance enhancement factor is the recognised overseas scheme transfer factor.
- (5) The recognised overseas scheme transfer factor is—

$$\frac{\text{AAT} - \text{RRA}}{\text{SLA}}$$

where—

AAT is the aggregate of the amount of any sums transferred, and the market value of any assets transferred, on the recognised overseas scheme transfer,



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RRA is the relevant relievable amount, and

SLA is the standard lifetime allowance at the time when the recognised overseas scheme transfer took place.

- (6) Section 225 specifies the relevant relievable amount in the case of a recognised overseas scheme arrangement that was a money purchase arrangement; and section 226 specifies the relevant relievable amount in the case of an recognised overseas scheme arrangement that was any other sort of arrangement.
- (7) In this section and sections 225 and 226 “overseas arrangement active membership period” is the period—
  - (a) beginning with the date on which the benefits first began to accrue to or in respect of the individual under the recognised overseas scheme arrangement or, if later, 6th April 2006, and
  - (b) ending immediately before the recognised overseas scheme transfer.
- (8) But if benefits ceased to accrue to or in respect of the individual under the recognised overseas scheme arrangement before the recognised overseas scheme transfer, the overseas arrangement active membership period is to be treated as having ended then.
- (9) This section only applies if notice of intention to rely on it is given to the Inland Revenue in accordance with regulations made by the Board of Inland Revenue.

#### **Modifications etc. (not altering text)**

- C66** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#)))
- C67** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), [5-11](#)

#### **Commencement Information**

- I77** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## **225 Overseas scheme transfers: money purchase arrangements**

- (1) This section applies in the case of a recognised overseas scheme arrangement that was a money purchase arrangement.
- (2) The relevant relievable amount is—
  - (a) if the recognised overseas scheme arrangement was a cash balance arrangement, the cash balance relevant relievable amount (see subsections (3) to (5)), and
  - (b) if the recognised overseas scheme arrangement was any other sort of money purchase arrangement, the other money purchase relevant relievable amount (see subsections (6) and (7)).
- (3) The cash balance relevant relievable amount is—
  - (a) the amount arrived at by the application of subsection (4) in relation to the part of the overseas arrangement active membership period during which the individual was not a relevant overseas individual, or

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- (b) if there have been two or more parts of that period during which the individual was not a relevant overseas individual, the aggregate of the amounts arrived at by the application of subsection (4) in relation to each of those parts of that period.
- (4) The amount arrived at by the application of this subsection in relation to any part of the overseas arrangement active membership period is—

$$CV - OV$$

where—

CV is the closing value of the individual's rights under the arrangement, and

OV is the opening value of the individual's rights under the arrangement.

- (5) For the purposes of subsection (4)—
- (a) the closing value of the individual's rights under the recognised overseas scheme arrangement is the amount which would, on the valuation assumptions (see section 277), be available for the provision of benefits to or in respect of the individual under the arrangement if the individual became entitled to the benefits at the end of that part of that period, and
- (b) the opening value of the individual's rights under the arrangement is the amount which would, on the valuation assumptions, be available for the provision of benefits to or in respect of the individual under the arrangement if the individual became entitled to the benefits at the beginning of that part of that period.
- (6) The other money purchase relevant relievable amount is—
- (a) the amount arrived at by the application of subsection (7) in relation to the part of the overseas arrangement active membership period during which the individual was not a relevant overseas individual, or
- (b) if there have been two or more parts of that period during which the individual was not a relevant overseas individual, the aggregate of the amounts arrived at by the application of subsection (7) in relation to each of those parts of that period.
- (7) The amount arrived at by the application of this subsection in relation to any part of the overseas arrangement active membership period is the amount of the contributions made under the arrangement by or in respect of the individual in any part of the overseas arrangement active membership period during which the individual was not a relevant overseas individual.

**Modifications etc. (not altering text)**

**C66** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#)))

**C67** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), [5-11](#)

*Status: Point in time view as at 06/04/2021.*

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### Commencement Information

**I78** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 226 Overseas scheme transfers: other arrangements

- (1) This section applies in the case of a recognised overseas scheme arrangement that was not a money purchase arrangement.
- (2) The relevant relievable amount is—
  - (a) if the recognised overseas scheme arrangement was a defined benefits arrangement, the defined benefits relevant relievable amount (see subsections (3) and (4)), and
  - (b) if the recognised overseas scheme arrangement was a hybrid arrangement, the hybrid relevant relievable amount (see subsections (5) to (7)).
- (3) The defined benefits relevant relievable amount is—
  - (a) the amount arrived at by the application of subsection (4) in relation to the part of the overseas arrangement active membership period during which the individual was not a relevant overseas individual, or
  - (b) if there have been two or more parts of that period during which the individual was not a relevant overseas individual, the aggregate of the amounts arrived at by the application of subsection (4) in relation to each of those parts of that period.
- (4) The amount arrived at by the application of this subsection in relation to any part of the overseas arrangement active membership period is—

$$(RVF \times PE + LSE) - (RVF \times PB + LSB)$$

where—

RVF is the relevant valuation factor (see section 276),

PE is the annual rate of the pension which would, on the valuation assumptions (see section 277), be payable to the individual under the recognised overseas scheme arrangement if the individual became entitled to payment of it at the end of that part of that period,

LSE is the amount of the lump sum to which the individual would, on the valuation assumptions, be entitled under the arrangement (otherwise than by commutation of pension) if the individual became entitled to payment of it at the end of that part of that period,

PB is the annual rate of the pension which would, on the valuation assumptions, be payable to the individual under the arrangement if the individual became entitled to payment of it at the beginning of that part of that period, and

LSB is the amount of the lump sum to which the individual would, on the valuation assumptions, be entitled under the arrangement (otherwise than by commutation of pension) if the individual became entitled to payment of it at the beginning of that part of that period.

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- (5) The hybrid relevant relievable amount is the greater or greatest of such of—
- (a) what would be the cash balance relevant relievable amount (under section 225) if the recognised overseas scheme arrangement had been a cash balance arrangement,
  - (b) what would be the other money purchase relevant relievable amount (under that section) if that arrangement had been any other sort of money purchase arrangement, and
  - (c) what would be the defined benefits relevant relievable amount (under subsections (3) and (4)) if that arrangement had been a defined benefits arrangement,
- as are relevant to that arrangement.
- (6) An amount is relevant to a hybrid arrangement if, in any circumstances, the benefits that may be provided to or in respect of the individual under the arrangement may be benefits linked to that amount.
- (7) For that purpose—
- (a) cash balance benefits are linked to the cash balance relevant relievable amount,
  - (b) other money purchase benefits are linked to the other money purchase relevant relievable amount, and
  - (c) defined benefits are linked to the defined benefits relevant relievable amount.

**Modifications etc. (not altering text)**

- C66** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#)))
- C67** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), [5-11](#)

**Commencement Information**

- I79** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*Annual allowance charge*

**227 Annual allowance charge**

- (1) A charge to income tax, to be known as the annual allowance charge, arises [<sup>F531</sup>where an individual who is a member of one or more registered pension schemes has a [<sup>F532</sup>non-zero] chargeable amount for a tax year.]
- [<sup>F533</sup>(1A) The chargeable amount <sup>F534</sup>... is to be determined in accordance with section 227ZA.]
- <sup>F535</sup>(2) .....
- <sup>F535</sup>(3) .....
- (4) The annual allowance charge is a charge at the [<sup>F536</sup>appropriate rate] in respect of [<sup>F537</sup>the chargeable amount.]
- <sup>F538</sup> .....

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[<sup>F539</sup>(4A) The appropriate rate is—

- (a) the basic rate <sup>F540</sup>... in relation to so much (if any) of the [<sup>F541</sup>chargeable amount] as, when added to the individual's reduced net income for the tax year, does not exceed the basic rate limit for the tax year,
- (b) the higher rate <sup>F542</sup>... in relation to so much (if any) of the [<sup>F541</sup>chargeable amount] as, when so added, exceeds the basic rate limit for the tax year but does not exceed the higher rate limit for the tax year, and
- (c) the additional rate <sup>F543</sup>... in relation to so much (if any) of the [<sup>F541</sup>chargeable amount] as, when so added, exceeds the higher rate limit for the tax year.

[<sup>F544</sup>But subsection (4AA) applies in the case of a Scottish taxpayer][<sup>F545</sup>and subsection (4AB) applies in the case of a Welsh taxpayer].

[ The appropriate rate for a Scottish taxpayer is—

- <sup>F546</sup>(4AA)
- (a) where the only Scottish rate is the Scottish basic rate (the “SBR”), that rate, or
  - (b) where there is more than one Scottish rate—
    - (i) the SBR in relation to so much (if any) of the chargeable amount as, when added to the individual's reduced net income for the tax year, does not exceed the Scottish basic rate limit (“SBRL”) for the tax year,
    - (ii) the next highest rate after the SBR in relation to so much (if any) of the chargeable amount as, when so added, exceeds the SBRL for the tax year but does not exceed the rate limit for that rate for the tax year, and
    - (iii) where applicable, any other higher Scottish rate in relation to so much (if any) of the chargeable amount as, when so added, does not exceed the rate limit for that rate for the tax year.]

[ The appropriate rate for a Welsh taxpayer is—

- <sup>F547</sup>(4AB)
- (a) the Welsh basic rate in relation to so much (if any) of the chargeable amount as, when added to the individual's reduced net income for the tax year, does not exceed the basic rate limit for the tax year,
  - (b) the Welsh higher rate in relation to so much (if any) of the chargeable amount as, when so added, exceeds the basic rate limit for the tax year but does not exceed the higher rate limit for the tax year, and
  - (c) the Welsh additional rate in relation to so much (if any) of the chargeable amount as, when so added, exceeds the higher rate limit for the tax year.]

(4B) The individual's reduced net income for the tax year is the amount after taking Step 3 in section 23 of ITA 2007 in the case of the individual for the tax year.

[<sup>F548</sup>(4C) Where—

- (a) the basic rate limit,
- (b) the higher rate limit,
- (c) the Scottish basic rate limit, or
- (d) any other Scottish rate limit,

is (in accordance with section 192 of this Act or section 414 of ITA 2007) increased in the case of the individual, the references to the limit in subsections (4A) [<sup>F549</sup>, (4AA) and (4AB)] are to the limit as so increased.]]

(5) [<sup>F550</sup>The chargeable amount] is not to be treated as income for any purpose of the Tax Acts.

<sup>F551</sup>(5A) .....

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<sup>F551</sup>(5B) .....

- (6) The following sections make further provision about the annual allowance charge—  
 [<sup>F552</sup>sections 227ZA and 227B (chargeable amount),]  
 [<sup>F552</sup>sections 227C to 227G (supplemental provision for calculations under section 227B),]  
 section 228 (annual allowance),  
 section [<sup>F553</sup>229(1)] (total pension input amount to be aggregate of pension input amounts for pension input periods ending in tax year),  
 [<sup>F554</sup>section 229(2) to (4) (how to arrive at the pension input amount in respect of an arrangement),]  
 sections 230 to 237 (pension input amounts),  
 [<sup>F555</sup>sections 237A to 237F (persons liable to charge),] and  
 section 238 (pension input period).
- (7) Schedule 36 contains (in Part 4) transitional provision about the annual allowance charge.

#### Textual Amendments

- F531** Words in s. 227(1) substituted (17.12.2014) (with effect in accordance with Sch. 1 para. 63(8) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 63\(2\)](#)
- F532** Words in s. 227(1) inserted (with effect in accordance with Sch. 4 para. 11(4) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 11\(2\)\(a\)](#)
- F533** S. 227(1A) inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 63(8) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 63\(3\)](#)
- F534** Words in s. 227(1A) omitted (with effect in accordance with Sch. 4 para. 11(4) of the amending Act) by virtue of [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 11\(2\)\(b\)](#)
- F535** S. 227(2)(3) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 3\(2\)](#)
- F536** Words in s. 227(4) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 3\(3\)](#)
- F537** Words in s. 227(4) substituted (17.12.2014) (with effect in accordance with Sch. 1 para. 63(8) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 63\(4\)](#)
- F538** Words in s. 227(4) omitted (17.12.2014) (with effect in accordance with Sch. 1 para. 66(3) of the amending Act) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 66\(2\)\(a\)](#)
- F539** S. 227(4A)-(4C) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 3\(4\)](#)
- F540** Words in s. 227(4A)(a) omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), [4\(2\)\(a\)](#)
- F541** Words in s. 227(4A) substituted (17.12.2014) (with effect in accordance with Sch. 1 para. 63(8) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 63\(5\)](#)
- F542** Words in s. 227(4A)(b) omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), [4\(2\)\(b\)](#)
- F543** Words in s. 227(4A)(c) omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), [4\(2\)\(c\)](#)

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- F544** Words in s. 227(4A) inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), **4(3)**
- F545** Words in s. 227(4A) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **7(2)**
- F546** S. 227(4AA) inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), **4(4)**
- F547** S. 227(4AB) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **7(3)**
- F548** S. 227(4C) substituted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), **4(5)**
- F549** Words in s. 227(4C) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **7(4)**
- F550** Words in s. 227(5) substituted (17.12.2014) (with effect in accordance with Sch. 1 para. 63(8) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 63(6)**
- F551** S. 227(5A)(5B) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 3(5)**
- F552** Words in s. 227(6) inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 63(8) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 63(7)(a)**
- F553** Word in s. 227(6) substituted (17.12.2014) (with effect in accordance with Sch. 1 para. 63(8) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 63(7)(b)**
- F554** Words in s. 227(6) inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 63(8) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 63(7)(c)**
- F555** S. 227(6) entry inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 3(6)**

#### **Modifications etc. (not altering text)**

- C95** S. 227 modified (6.4.2006) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\) Regulations 2006 \(S.I. 2006/207\)](#), regs. 1(1), **8**
- C96** S. 227 revocation of earlier affecting provision S.I. 2006/207, reg. 8 (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Registered Pension Schemes \(Miscellaneous Amendments\) Regulations 2011 \(S.I. 2011/1751\)](#), regs. 1(1), **12(2)**
- C97** S. 227 modified (1.4.2012) by [The Postal Services Act 2011 \(Taxation\) Regulations 2012 \(S.I. 2012/764\)](#), regs. 1(1), **24**; S.I. 2012/687; S.I. 2012/688; S.I. 2012/966

#### **Commencement Information**

- I80** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### **[<sup>F556</sup>227ZA] The chargeable amount**

- (1) The chargeable amount is the alternative chargeable amount (see section 227B) if—
- (a) the year is—
    - (i) the tax year in which the individual first flexibly accesses pension rights (see section 227G), or
    - (ii) a tax year later than that tax year,
  - (b) the money-purchase input sub-total (see section 227C) exceeds [<sup>F557</sup>£4,000], and
  - (c) the alternative chargeable amount exceeds the default chargeable amount.
- (2) Otherwise, the chargeable amount is the default chargeable amount.

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- (3) The default chargeable amount is the amount (if any) by which—
- (a) the total pension input amount calculated in accordance with section 229(1), exceeds
  - (b) the annual allowance for the year in the case of the individual (see sections 228(1) and 228A).

[ If there is no such excess, the default chargeable amount is zero.]]  
F558(4)

#### Textual Amendments

- F556** S. 227ZA inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 64(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 64**
- F557** Word in s. 227ZA(1)(b) substituted (with effect in accordance with s. 7(5) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **s. 7(2)**
- F558** S. 227ZA(4) inserted (with effect in accordance with Sch. 4 para. 11(4) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), **Sch. 4 para. 11(3)**

#### F559 227A Individuals who meet flexible drawdown conditions

.....

#### Textual Amendments

- F559** S. 227A omitted (17.12.2014) (with effect in accordance with Sch. 1 para. 66(3) of the amending Act) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 66(1)**

#### [F560 227B] The alternative chargeable amount

- (1) The alternative chargeable amount is the total of—
- (a) the amount (if any) by which the defined-benefit input sub-total exceeds the alternative annual allowance, and
  - (b) the amount by which the money-purchase input sub-total exceeds [F561£4,000].

[F562(2) The alternative annual allowance is—

$$AA - \text{££}10,000$$

where AA is the annual allowance for the year in the case of the individual (see sections 228(1) and 228A).]

- (3) The defined-benefit input sub-total is the total of—
- (a) the pension input amounts in respect of each defined benefits arrangement relating to the individual under a registered pension scheme of which the individual is a member (see section 229(2)(c)),
  - (b) the pension input amounts in respect of each hybrid arrangement—
    - (i) relating to the individual under a registered pension scheme of which the individual is a member, and
    - (ii) in respect of which the pension input amount is input amount C mentioned in section 237, and



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- (c) any amounts required to be included by section <sup>F563</sup>... 227F(4) or (6) (pension input periods that end in the year [<sup>F564</sup>and contain] the day on which rights are first flexibly accessed <sup>F565</sup>...).
- (4) Subsection (3)(b) is subject to section 227D (pension input amounts for certain hybrid arrangements).
- (5) If, in the case of a hybrid arrangement, input amount C mentioned in section 237—
  - (a) is a relevant input amount for the purposes of section 237, and
  - (b) is equal to—
    - (i) input amount A or B mentioned in section 237 if that is the only other relevant input amount for the purposes of section 237, or
    - (ii) the greater of input amounts A and B mentioned in section 237 if both are relevant input amounts for the purposes of section 237,the pension input amount in respect of the arrangement is, for the purposes of subsection (3)(b) and sections 227C(1)(b) and 227D(1)(c), treated as being input amount A or B or, as the case may be, the greater of input amounts A and B (and, in either case, not input amount C).

#### Textual Amendments

- F560** Ss. 227B-227G inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 65(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 65\(1\)](#)
- F561** Word in s. 227B(1)(b) substituted (with effect in accordance with s. 7(5) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [s. 7\(3\)](#)
- F562** "£4,000" in s. 227B(2) formula substituted (with effect in accordance with s. 7(5) of the amending Act) for "£10,000" by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [s. 7\(3\)](#)
- F563** Words in s. 227B(3)(c) omitted (with effect in accordance with Sch. 4 para. 4(3) of the amending Act) by virtue of [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 4\(2\)\(a\)\(i\)](#)
- F564** Words in s. 227B(3)(c) substituted (with effect in accordance with Sch. 4 para. 4(3) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 4\(2\)\(a\)\(ii\)](#)
- F565** Words in s. 227B(3)(c) omitted (with effect in accordance with Sch. 4 para. 4(3) of the amending Act) by virtue of [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 4\(2\)\(a\)\(iii\)](#)

#### 227C Meaning of “money-purchase input sub-total”

- (1) The money-purchase input sub-total is the total of—
  - (a) the pension input amounts in respect of each money purchase arrangement relating to the individual under a registered pension scheme of which the individual is a member (see section 229(2)(a) and (b)), and
  - (b) the pension input amounts in respect of each hybrid arrangement—
    - (i) relating to the individual under a registered pension scheme of which the individual is a member, and
    - (ii) in respect of which the pension input amount is input amount A or B mentioned in section 237.
- (2) Subsection (1) is to be read with—
  - <sup>F566</sup>(a) .....
  - (b) section 227F(2), (3) and (5) (pension input periods that end in the tax year and contain [<sup>F567</sup>the day on which rights are first flexibly accessed]).

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- (3) Subsection (1)(b) is to be read with—
- (a) section 227B(5) (hybrid arrangements where input amount C is highest-equal input amount), and
  - (b) section 227D (pension input amounts for certain hybrid arrangements).

#### Textual Amendments

- F560** Ss. 227B-227G inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 65(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 65\(1\)](#)
- F566** S. 227C(2)(a) and word omitted (with effect in accordance with Sch. 4 para. 4(3) of the amending Act) by virtue of [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 4\(2\)\(b\)](#)
- F567** Words in s. 227C(2)(b) substituted (with effect in accordance with Sch. 4 para. 4(3) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 4\(2\)\(c\)](#)

### 227D Pension input amounts in respect of certain hybrid arrangements

- (1) In this section “relevant hybrid arrangement” means a hybrid arrangement—
- (a) relating to the individual under a registered pension scheme of which the individual is a member,
  - (b) made on or after 14 October 2014 or having become a hybrid arrangement (whether or not for the first time) on or after that day, and
  - (c) in respect of which the pension input amount is input amount C mentioned in section 237.
- (2) As respects each relevant hybrid arrangement in the maximising set of relevant hybrid arrangements—
- (a) the pension input amount in respect of the arrangement is for the purposes of sections 227B(3)(b) and 227C(1)(b) treated as being not input amount C mentioned in section 237 but, instead, the greater of such of input amounts A and B mentioned in section 237 as are, for the purposes of section 237, relevant input amounts in the case of the arrangement, and
  - (b) accordingly, the arrangement—
    - (i) is not to be included among the arrangements mentioned in section 227B(3)(b) whose pension input amounts are totalled under section 227B(3), but
    - (ii) is to be included among the arrangements mentioned in section 227C(1)(b) whose pension input amounts are totalled under section 227C(1).
- (3) For the purposes of subsection (2)—
- (a) the maximising set contains no relevant hybrid arrangements,
  - (b) a particular relevant hybrid arrangement makes up that set, or
  - (c) two or more particular relevant hybrid arrangements make up that set,
- if the alternative chargeable amount with the maximising set so made up is not less than it would be with the maximising set made up in any other way.
- (4) In particular, the maximising set may be identified by taking the following steps—
- Step 1* Identify all of the relevant hybrid arrangements.
- Step 2* Identify all of the different combinations of the arrangements identified at Step 1 (including the combination consisting of all of those arrangements, and the

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combination consisting of none of them, as well as every possible combination of each possible size in between).

*Step 3* For each combination identified at Step 2 calculate what the money-purchase input sub-total would be if each relevant hybrid arrangement in the combination were treated in accordance with the rules in paragraphs (a) and (b) of subsection (2).

*Step 4* If the result of each calculation at Step 3 is less than or equal to [<sup>F568</sup>£4,000] the chargeable amount is the default chargeable amount.

*Step 5* If the amount calculated at Step 3 for a combination is greater than [<sup>F568</sup>£4,000] then calculate in accordance with section 227B what the alternative chargeable amount would be if—

- (a) each relevant hybrid arrangement in the combination were treated in accordance with the rules in paragraphs (a) and (b) of subsection (2), and
- (b) for each relevant hybrid arrangement not in the combination, input amount C mentioned in section 237 were included in the total under section 227B(3).

*Step 6* Identify the highest (or higher) of the amounts calculated at Step 5. The maximising set is made up of each relevant hybrid arrangement in the combination concerned.

- (5) Subsection (1)(c) is to be read with section 227B(5) (hybrid arrangements where input amount C is highest-equal input amount).

<sup>F569</sup>(6) .....

**Textual Amendments**

- F560** Ss. 227B-227G inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 65(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 65\(1\)](#)
- F568** Word in s. 227D(4) substituted (with effect in accordance with s. 7(5) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [s. 7\(4\)](#)
- F569** S. 227D(6) omitted (with effect in accordance with Sch. 4 para. 4(3) of the amending Act) by virtue of [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 4\(2\)\(d\)](#)

<sup>F570</sup>**227EPension input periods ending before rights are first flexibly accessed**

.....

**Textual Amendments**

- F570** S. 227E omitted (with effect in accordance with Sch. 4 para. 4(3) of the amending Act) by virtue of [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 4\(1\)](#)

**227F Pension input periods in which rights are first flexibly accessed**

- (1) Subject to subsection (7), subsections (2) to (6) apply if, for an arrangement mentioned in section 227C(1), the pension input period ending in the tax year contains the day on which the individual first flexibly accesses pension rights (whether or not that day is in the tax year).

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- (2) If the arrangement is a cash balance arrangement, the pension input amount in respect of that arrangement is for the purposes of section 227C(1)(a) treated as being—

$$F \text{ PIP} \times \text{APIA}$$

where—

APIA is the (actual) pension input amount in respect of the arrangement (see section 229(2)(a)),

F is the number of days in the period—

- (a) beginning with the day after that on which the individual first flexibly accesses pension rights, and
- (b) ending at the end of the pension input period mentioned in subsection (1), and

PIP is the number of days in that pension input period.

- (3) If the arrangement is a money purchase arrangement other than a cash balance arrangement, the pension input amount in respect of that arrangement is for the purposes of section 227C(1)(a) treated as being the amount in respect of the arrangement that would be arrived at under section 233 for a pension input period—

- (a) beginning with the day after that on which the individual first flexibly accesses pension rights, and
- (b) ending at the end of the pension input period mentioned in subsection (1).

- (4) If the arrangement is a money purchase arrangement, the amount (if any) by which—

- (a) the (actual) pension input amount in respect of the arrangement (see section 229(2)(a) or (b)), exceeds
- (b) the amount treated by subsection (2) or (3) as being the pension input amount in respect of the arrangement,

is required to be included in the defined-benefit input sub-total calculated under section 227B(3).

- (5) If the arrangement is a hybrid arrangement—

- (a) input amount A mentioned in section 237 is for the purposes of sections 227C(1)(b) and 227D(2) treated as being—

$$F \text{ PIP} \times \text{AAIAA}$$

where—

AAIAA is the (actual) amount of input amount A for the arrangement,

F is the number of days in the period—

- (a) beginning with the day after that on which the individual first flexibly accesses pension rights, and
- (b) ending at the end of the pension input period mentioned in subsection (1), and

PIP is the number of days in that pension input period, and

- (b) input amount B mentioned in section 237 is for the purposes of sections 227C(1)(b) and 227D(2) treated as being the amount for the arrangement that would be arrived at under section 233 for a pension input period—

- (i) beginning on the day after that on which the individual first flexibly accesses pension rights, and

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- (ii) ending at the end of the pension input period mentioned in subsection (1).
- (6) If the arrangement is a hybrid arrangement, the amount (if any) by which—
- (a) the (actual) pension input amount in respect of the arrangement (see section 229(2)(d)), exceeds
  - (b) the amount which, in accordance with subsection (5) and section 227D, is for the purposes of section 227C(1)(b) the pension input amount in respect of the arrangement,
- is required to be included in the defined-benefit input sub-total calculated under section 227B(3).
- (7) Subsections (2) to (6) do not apply if section 165(3A) applied in the individual's case to the arrangement, or any other arrangement, at any time before 6 April 2015.

#### Textual Amendments

**F560** Ss. 227B-227G inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 65(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 65\(1\)](#)

### 227G When pension rights are first flexibly accessed

- (1) References in sections 227B to 227F to when the individual first flexibly accesses pension rights are to the time, or the earlier or earliest of the times, given for that by the following subsections.
- (2) If—
- (a) the individual has a member's flexi-access drawdown fund in respect of an arrangement, and
  - (b) the fund came into being—
    - (i) as a result of sums or assets being designated on or after 6 April 2015 as available for the payment of drawdown pension, or
    - (ii) as a result of the operation of paragraph 8D(2) of Schedule 28,the individual first flexibly accesses pension rights immediately before the first qualifying payment is made from the fund (see subsection (10)).
- (3) If section 165(3A) applied in the individual's case to an arrangement at any time before 6 April 2015, the individual first flexibly accesses pension rights at the start of 6 April 2015.
- (4) If—
- (a) the individual has a member's drawdown pension fund in respect of an arrangement, and
  - (b) the sums and assets that make up the fund become newly-designated funds by the operation of paragraph 8B of Schedule 28,
- the individual first flexibly accesses pension rights immediately before the first qualifying payment (see subsection (10)) is made from the individual's member's flexi-access drawdown fund in respect of the arrangement (whether that is the payment that triggers the operation of paragraph 8B of Schedule 28 or a subsequent payment).
- (5) If—

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- (a) the individual has a member's drawdown pension fund in respect of an arrangement, and
  - (b) the sums and assets that make up the fund become newly-designated funds by the operation of paragraph 8C of Schedule 28,
- the individual first flexibly accesses pension rights immediately before the first qualifying payment is made from the individual's member's flexi-access drawdown fund in respect of the arrangement (see subsection (10)).
- (6) The individual first flexibly accesses pension rights immediately before the payment of the first uncrystallised funds pension lump sum paid to the individual.
  - (7) If the individual is entitled to payment of a lifetime annuity under a flexible annuity contract (see subsection (8)), the individual first flexibly accesses pension rights immediately before the first payment of the annuity is made.
  - (8) In subsection (7) “flexible annuity contract” means a contract for a lifetime annuity where—
    - (a) the annuity is within paragraph 3(1A) of Schedule 28, and
    - (b) the terms of the contract are such that there will or could be decreases in the amount of the annuity other than decreases from time to time allowed by regulations under paragraph 3(1)(d) of Schedule 28 (and any such regulations are to be treated as having effect for this purpose).
  - (9) If—
    - (a) the individual is entitled to payment of a scheme pension under a money purchase arrangement under a registered pension scheme,
    - (b) the individual became entitled to the scheme pension—
      - (i) on or after 6 April 2015, and
      - (ii) at a time when fewer than 11 other individuals were entitled to the present payment of a scheme pension, or dependants' scheme pension, under the registered pension scheme, and
    - (c) the scheme pension is not payable under an annuity contract treated under section 153(8) or (8A) as having become a registered pension scheme,

the individual first flexibly accesses pension rights immediately before the first payment of the scheme pension is made.
  - (10) In subsections (2), (4) and (5), a reference to a qualifying payment from a fund is a reference to—
    - (a) payment of income withdrawal from the fund, or
    - (b) payment of a short-term annuity purchased using sums or assets out of the fund,

but does not include payment at a time when the whole of the fund represents rights attributable to a disqualifying pension credit.
  - (11) In subsection (10) “disqualifying pension credit” is to be read in accordance with paragraph 2(3) and (4) of Schedule 29.]

#### Textual Amendments

**F560** Ss. 227B-227G inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 65(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 65\(1\)](#)

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## <sup>F571</sup>228 Annual allowance

- <sup>F572</sup>(1) The annual allowance for the tax year 2014-15 and, subject to subsection (2), each subsequent tax year is £40,000.]
- (2) The Treasury may by order provide that the annual allowance for any tax year subsequent to the tax year <sup>F573</sup>2014-15] is such amount as is specified in the order.]

### Textual Amendments

- F571** S. 228 substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 4](#)
- F572** S. 228(1) substituted (with effect in accordance with s. 49(4) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [s. 49\(2\)](#)
- F573** Word in s. 228(2) substituted (with effect in accordance with s. 49(4) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [s. 49\(3\)](#)

## <sup>F574</sup>228ZA ~~228ZB~~apered reduction of annual allowance: high-income individual

- <sup>F575</sup>(1) If the individual is a high-income individual for the tax year, the amount of the annual allowance for the tax year in the case of the individual is the amount specified for the tax year by or under section 228 reduced (but not below £4,000) by—

$$(AI - £240,000) \times 12$$

where AI is the individual's adjusted income for the tax year.]

- (2) If the amount of the reduction under subsection (1) would otherwise not be a multiple of £1, it is to be rounded down to the nearest amount which is a multiple of £1.
- (3) The individual is a “high-income individual” for the tax year if—
- the individual's adjusted income for the tax year is more than <sup>F576</sup>£240,000] and
  - the individual's threshold income for the tax year is more than the amount given by <sup>F577</sup>£240,000 minus the amount specified for the tax year by or under section 228].
- (4) The individual's “adjusted income” for the tax year is—
- the individual's net income for the year (see Step 2 of the calculation in section 23 of ITA 2007), plus
  - the amount of any relief under section 193(4) or 194(1) deducted at that Step, plus
  - the amount of any deductions made from employment income of the individual for the year—
    - under section 193(2), or
    - under Chapter 2 of Part 5 of ITEPA 2003 in accordance with paragraph 51(2) of Schedule 36, plus
  - an amount equal to—
    - the total pension input amount calculated in accordance with section 229(1), less
    - the amount of any contributions paid by or on behalf of the individual during the year under registered pension schemes of which the individual is a member, less

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- (e) the amount of any lump sum which accrues in the year and in relation to which section 579A of ITEPA 2003 is applied by section 636A(4ZA) of ITEPA 2003.
- (5) The individual's "threshold income" for the tax year is—
- (a) the individual's net income for the year (see Step 2 of the calculation in section 23 of ITA 2007), plus
  - (b) any amount by which what would otherwise be general earnings or specific employment income of the individual for the year has been reduced by relevant salary sacrifice arrangements or relevant flexible remuneration arrangements, less
  - (c) the amount (before any deduction under section 192(1)) of any contribution paid in the year in respect of which the individual is entitled to be given relief under section 192 (relief at source), less
  - (d) the amount of any lump sum which accrues in the year and in relation to which section 579A of ITEPA 2003 is applied by section 636A(4ZA) of ITEPA 2003.
- (6) In subsection (5)—
- “relevant salary sacrifice arrangements” means arrangements—
    - (a) under which the individual gives up the right to receive general earnings or specific employment income in return for the making of relevant pension provision, and
    - (b) which are made on or after 9 July 2015 (and whether before or after the start of the employment concerned), and
  - “relevant flexible remuneration arrangements” means arrangements—
    - (a) under which the individual and an employer of the individual agree that relevant pension provision is to be made rather than the individual receive some description of employment income, and
    - (b) which are made on or after 9 July 2015 (and whether before or after the start of the employment concerned).
- (7) In subsection (6) “relevant pension provision” means the payment of contributions (or additional contributions) to a pension scheme in respect of the individual or otherwise (by an employer of the individual or any other person) to secure an increase in the amount of the benefits to which the individual or any person who is a dependant of, or is connected with, the individual is actually or prospectively entitled under a pension scheme.
- (8) In subsection (7) “increase” includes increase from nil.
- (9) Section 993 of ITA 2007 (meaning of “connected” persons) applies for the purposes of subsection (7).

#### Textual Amendments

- F574** Ss. 228ZA, 228ZB inserted (with effect in accordance with Sch. 4 para. 10(2) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 10\(1\)](#)
- F575** S. 228ZA(1) substituted (6.4.2020 for the tax year 2020-21 and subsequent tax years) by [Finance Act 2020 \(c. 14\)](#), [s. 22\(2\)\(4\)](#)
- F576** Sum in s. 228ZA(3)(a) substituted (6.4.2020 for the tax year 2020-21 and subsequent tax years) by [Finance Act 2020 \(c. 14\)](#), [s. 22\(3\)\(a\)\(4\)](#)
- F577** Words in s. 228ZA(3)(b) substituted (for the tax year 2020-21 and subsequent tax years) by [Finance Act 2020 \(c. 14\)](#), [s. 22\(3\)\(b\)\(4\)](#)



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## **228ZB Anti-avoidance in connection with section 228ZA**

- (1) Subsection (5) applies if there are arrangements in respect of which conditions A to C are met.
- (2) Condition A is that it is reasonable to assume that the main purpose, or one of the main purposes, of the arrangements is to reduce the amount of the reduction under section 228ZA(1) in the individual's case—
  - (a) for the tax year, or
  - (b) for two or more tax years which include the tax year.
- (3) Condition B is that the arrangements involve either or both of the following—
  - (a) reducing the individual's adjusted income for the tax year, and
  - (b) reducing the individual's threshold income for the tax year.
- (4) Condition C is that the arrangements involve the reduction within subsection (3), or any of the reductions within subsection (3), being redressed by an increase in the individual's adjusted income, or threshold income, for a different tax year.
- (5) The reduction under section 228ZA(1) in the individual's case for the tax year is to be treated as being what it would be apart from the arrangements.
- (6) In subsection (2) “reduce” includes reduce to nil.
- (7) The increase mentioned in subsection (4) may be an increase in what would be the individual's adjusted income, or threshold income, for the tax year 2015-16 if section 228ZA—
  - (a) had effect for that year, and
  - (b) did so as if the total pension input amount mentioned in section 228ZA(4)(d)
    - (i) were the sum of the total pension input amounts for the pre-alignment and post-alignment tax years (see section 228C(2)).
- (8) In this section “arrangements” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).]

### **Textual Amendments**

**F574** Ss. 228ZA, 228ZB inserted (with effect in accordance with Sch. 4 para. 10(2) of the amending Act) by Finance (No. 2) Act 2015 (c. 33), **Sch. 4 para. 10(1)**

## **[<sup>F578</sup>228ACarry forward of unused annual allowance**

- (1) This section applies if the individual has unused annual allowance available for the tax year (“the current tax year”).
- (2) The annual allowance for the current tax year in the case of the individual is to be treated as increased by the amount of the unused annual allowance available for the current tax year.
- (3) The individual has unused annual allowance available for the current tax year if—
  - (a) the amount of the annual allowance (before any increase under this section) for the immediately preceding tax year exceeded the total pension input amount in the case of the individual for that tax year, or

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- (b) the amount of the annual allowance (before any such increase) for either or both of the two tax years immediately preceding that immediately preceding tax year exceeded the total pension input amount in the case of the individual for the tax year concerned and the excess (or, where there is an excess for both of those tax years, the excess for both tax years) has not been used up, or both.
- (4) Subsection (3)—
- (a) does not apply in relation to a tax year preceding the current tax year unless the individual was a member of a registered pension scheme at some time during that tax year, but
- (b) subject to that, applies in relation to such a tax year even if the total pension input amount in the case of the individual for that tax year was nil (in which case the excess within paragraph (a) or (b) of that subsection is the whole amount of the annual allowance before any increase under this section).
- (5) The amount of the unused annual allowance available for the current tax year is the aggregate of—
- (a) any excess within subsection (3)(a), and
- (b) so much of any excess within subsection (3)(b) as has not been used up.
- (6) An amount of an excess within subsection (3)(b) for a tax year has been “used up” if—
- (a) for a tax year falling between that tax year and the current tax year (an “intervening tax year”), the total pension input amount in the case of the individual exceeded the annual allowance (apart from any increase under this section), and
- (b) the amount of the excess had effect by virtue of this section to reduce (or eliminate) the annual allowance charge for the intervening tax year in the case of the individual.
- (7) In calculating for the purposes of subsection (6) the amount of which of the excesses for different tax years had effect to reduce or eliminate the annual allowance charge for an intervening tax year, an amount of the excess for an earlier tax year is to be taken to have done so before that for a later tax year.
- [ If, for a tax year preceding the current tax year, the chargeable amount in the <sup>F579</sup>(8) individual's case was the alternative chargeable amount—
- (a) a reference in subsection (3)(a) or (b), (4)(b) or (6)(a) to the annual allowance for that preceding tax year is a reference to the alternative annual allowance for that preceding tax year (see section 227B(2)), and
- (b) a reference in subsection (3)(a) or (b), (4)(b) or (6)(a) to the total pension input amount in the case of the individual for that preceding tax year is a reference to the defined-benefit input sub-total in the case of the individual for that preceding tax year (see section 227B(3) to (5)).
- (9) Subsection (3) does not apply in relation to a tax year—
- (a) preceding the current tax year, and
- (b) ending not later than 5 April 2015,
- if, at any time in that preceding tax year, section 165(3A) or 167(2A) applied to an arrangement relating to the individual.]]

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#### Textual Amendments

**F578** S. 228A inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 5](#)

**F579** Ss. 228A(8)(9) inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 67(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 67\(1\)](#)

#### Modifications etc. (not altering text)

**C98** S. 228A applied (with modifications) (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 paras. 29, 30](#)

### [<sup>F580</sup>**228B** Carry forward: certain periods treated as pension input periods

- (1) This section applies where the first pension input period for a relevant arrangement relating to an individual ends in the tax year 2011-12, 2012-13 or 2013-14.
- (2) A period is a “carry forward period” for the purposes of this section if it—
  - (a) is one of the 3 consecutive periods of 12 months immediately before the commencement date of the first pension input period, and
  - (b) is a period in which the arrangement was in existence at any time.
- (3) Any amount that would, if a carry forward period were a pension input period of the arrangement, have been unused annual allowance available to the individual for the tax year 2011-12, 2012-13 or 2013-14 is to be treated as unused annual allowance available to the individual for that tax year.
- (4) In this section “relevant arrangement” means—
  - (a) a cash balance arrangement,
  - (b) a defined benefits arrangement, or
  - (c) a hybrid arrangement the only benefits under which may be cash balance benefits or defined benefits.]

#### Textual Amendments

**F580** S. 228B inserted (28.1.2015) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [11](#)

### [<sup>F581</sup>**228CA** Annual allowance for, and carry-forward from, 2015-16

- (1) The provisions relating to the annual allowance charge (whether provisions contained in or made under this or any other Act) have effect subject to the following rules.

*2015-16 split into two tax years for annual allowance purposes*

- (2) For the purposes of those provisions but subject to subsection (3), the tax year 2015-16 is to be treated as consisting of two tax years as follows—
  - (a) one beginning with 6 April 2015 and ending with 8 July 2015 (“the pre-alignment tax year”), and
  - (b) one beginning with 9 July 2015 and ending with 5 April 2016 (“the post-alignment tax year”).
- (3) Despite subsection (2)—

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- (a) separate annual allowance charges for each of the pre-alignment and post-alignment tax years cannot arise, but a single annual allowance charge for the tax year 2015-16 arises if the individual has a chargeable amount for either or each of the pre-alignment and post-alignment tax years, and
- (b) that single annual allowance charge is calculated as if—
  - (i) in section 227(4) the reference to the chargeable amount were a reference to the sum of the chargeable amounts for the pre-alignment and post-alignment tax years, and
  - (ii) in section 227(4A) to (4C) each reference to the tax year were to the tax year 2015-16.

*Double allowances allocated to earlier part of 2015-16*

- (4) For the pre-alignment tax year—
  - (a) the amount specified in section 228(1) (annual allowance for tax year) is treated as being £80,000, and
  - (b) in each of sections 227ZA(1)(b) and 227B(1)(b) and (2), the reference to £10,000 is treated as a reference to £20,000.

*Allowances for later part of 2015-16 limited to carried-forward allowances*

- (5) Where the individual was a member of a registered pension scheme at some time in the pre-alignment tax year then, for the post-alignment tax year—
  - (a) the amount specified in section 228(1) is treated as being nil,
  - (b) section 227B(2) (amount of alternative annual allowance) has effect as if “AA” were substituted for “AA – £10,000”,
  - (c) if the chargeable amount in the individual's case for the pre-alignment tax year is the alternative chargeable amount, the reference to £10,000 in each of sections 227ZA(1)(b) and 227B(1)(b) is treated as being a reference to nil, and
  - (d) if the chargeable amount in the individual's case for the pre-alignment tax year is the default chargeable amount, the reference to £10,000 in each of sections 227ZA(1)(b) and 227B(1)(b) is treated as being a reference—
    - (i) to nil where the money-purchase input sub-total in the individual's case for the pre-alignment tax year is £20,000 or more, or
    - (ii) to the amount equal to £20,000 minus that sub-total where that sub-total is more than £10,000 but less than £20,000.

*Limit on carry-forward of unused allowances from earlier part of 2015-16*

- (6) Where the current tax year for the purposes of section 228A (carry-forward of annual allowance) is the post-alignment tax year—
  - (a) if—
    - (i) the chargeable amount in the individual's case for the pre-alignment tax year is the default chargeable amount, and
    - (ii) the excess mentioned in section 228A(5)(a) would otherwise be more than £40,000,
 that excess is treated as being £40,000, and
  - (b) if—
    - (i) the chargeable amount in the individual's case for the pre-alignment tax year is the alternative chargeable amount, and

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- (ii) the excess mentioned in section 228A(5)(a) would otherwise be more than £30,000,  
that excess is treated as being £30,000.

*Further provisions about carry-forward of unused allowances*

- (7) Where the current tax year for the purposes of section 228A is the post-alignment tax year or the tax year 2016-17, 2017-18 or 2018-19, section 228A applies in relation to that current tax year as if in section 228A(3)(b)—
  - (a) for “either or both of the two” there were substituted “ any one or more of the three ”, and
  - (b) for “(or, where there is an excess for both of those tax years, the excess for both tax years)” there were substituted “ (or, where there is an excess for two or all three of those tax years, the excess for both or all those tax years) ”.
- (8) Where the current tax year for the purposes of section 228A is the tax year 2016-17, 2017-18 or 2018-19—
  - (a) if—
    - (i) the chargeable amount in the individual's case for the pre-alignment tax year is the default chargeable amount, and
    - (ii) the excess within section 228A(3)(b) in the case of the pre-alignment tax year would otherwise be more than £40,000,  
that excess is treated as being £40,000 (and accordingly the amount aggregated under section 228A(5) in respect of that excess is so much of the £40,000 as has not been used up),
  - (b) if—
    - (i) the chargeable amount in the individual's case for the pre-alignment tax year is the alternative chargeable amount, and
    - (ii) the excess within section 228A(3)(b) in the case of the pre-alignment year would otherwise be more than £30,000,  
that excess is treated as being £30,000 (and accordingly the amount aggregated under section 228A(5) in respect of that excess is so much of the £30,000 as has not been used up), and
  - (c) in calculating for the purposes of section 228A(6) the amount of which of the excesses for different tax years had effect to reduce or eliminate the annual allowance charge for the post-alignment tax year, the amount of the excess for the pre-alignment tax year is to be taken to have done so before that for any other tax year and, subject to that, the amount of the excess for an earlier tax year is to be taken to have done so before that for a later year.

*Supplementary provision*

- (9) For the pre-alignment tax year, section 229(3) applies as if the reference to the end of the tax year were a reference to the end of the post-alignment tax year.]

**Textual Amendments**

**F581** S. 228C inserted (18.11.2015) by Finance (No. 2) Act 2015 (c. 33), Sch. 4 para. 6

*Status: Point in time view as at 06/04/2021.*

*Changes to legislation: Finance Act 2004 is up to date with all changes known to be in force on or before 09 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

## 229 Total pension input amount

- (1) The total pension input amount is arrived at by aggregating the pension input amounts in respect of each arrangement relating to the individual under a registered pension scheme of which the individual is a member.
- (2) The pension input amount in respect of an arrangement—
  - (a) is the amount arrived at under sections 230 to 232 if it is a cash balance arrangement,
  - (b) is the amount arrived at under section 233 if it is any other sort of money purchase arrangement,
  - (c) is the amount arrived at under sections 234 to <sup>[F582]</sup>236A if it is a defined benefits arrangement, and
  - (d) is the amount arrived at under section 237 if it is a hybrid arrangement.
- (3) But there is no pension input amount in respect of an arrangement if, before the end of the tax year, the individual—
  - <sup>[F583]</sup>(a) satisfies the severe ill-health condition, or
  - (b) has died.
- <sup>[F584]</sup>(4) For the purposes of subsection (3)(a) the individual satisfies the severe ill-health condition if the individual—
  - (a) becomes entitled to all the benefits to which the individual is entitled under the arrangement in consequence of the scheme administrator having received evidence from a registered medical practitioner that the individual is suffering from ill-health which makes the individual unlikely to be able (otherwise than to an insignificant extent) to undertake gainful work (in any capacity) before reaching pensionable age,
  - (b) becomes entitled to a serious ill-health lump sum under the arrangement, or
  - (c) is a member of the armed forces of the Crown who becomes entitled under the arrangement to a benefit on which no liability to income tax arises by virtue of section 641(1) of ITEPA 2003.]
- <sup>[F585]</sup>(5) Subsection (2) is subject to section 237ZA (calculation of pension input amounts for input periods ending in 2015-16).]

### Textual Amendments

- F582** Word in s. 229(2)(c) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 6\(2\)](#)
- F583** S. 229(3)(a) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 6\(3\)](#)
- F584** S. 229(4) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 6\(4\)](#)
- F585** S. 229(5) inserted (18.11.2015) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 8](#)

### Modifications etc. (not altering text)

- C99** S. 229(3) modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), [Sch. 35 para. 4\(1\)](#)

### Commencement Information

- I81** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

*Status: Point in time view as at 06/04/2021.*

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## 230 Cash balance arrangements

- (1) The pension input amount in respect of a cash balance arrangement is the amount of any increase in the value of the individual's rights under the arrangement during the pension input period of the arrangement that ends in the tax year.
- (2) There is an increase in the value of the individual's rights under the arrangement during the pension input period if—
  - (a) the opening value of the individual's rights under the arrangement, is exceeded by
  - (b) the closing value of the individual's rights under the arrangement.
- (3) The amount of the increase in the value of the individual's rights under the arrangement during the pension input period is the amount of that excess.
- [<sup>F586</sup>(4) The opening value of the individual's rights under the arrangement—
  - (a) where the pension input period is the first pension input period of the arrangement, is the amount which would, on the valuation assumptions (see section 277), be available for the provision of benefits to or in respect of the individual under the arrangement if the individual became entitled to the benefits immediately before that pension input period (or is nil if no such amount would be available), or
  - (b) in any other case, is the amount which would, on the valuation assumptions, be available for the provision of benefits to or in respect of the individual under the arrangement if the individual became entitled to the benefits at the end of the immediately preceding pension input period.]
- (5) The closing value of the individual's rights under the arrangement is the amount which would, on the valuation assumptions, be available for the provision of benefits to or in respect of the individual under the arrangement if the individual became entitled to the benefits at the end of the pension input period.
- [<sup>F587</sup>(5A) If, during the pension input period, minimum payments are made under—
  - (a) section 8 of the Pension Schemes Act 1993, or
  - (b) section 4 of the Pension Schemes (Northern Ireland) Act 1993,in relation to the individual in connection with the arrangement, their amount is to be subtracted from what would otherwise be the pension input amount in the case of the individual in respect of the arrangement.
- [<sup>F588</sup>(5B) The pension input amount in respect of the cash balance arrangement is nil where subsection (5BA) or (5BB) applies and the value of the relevant rights of the individual under the arrangement does not increase during the pension input period by more than—
  - (a) the relevant percentage, plus
  - (b) the relevant statutory increase percentage.
- (5BA) This subsection applies where the individual—
  - (a) is, throughout the pension input period, a deferred member of the pension scheme that the arrangement is under,
  - (b) is such a deferred member for part of the pension input period and a pensioner member for the rest of it, or
  - (c) would meet the condition in paragraph (a) or (b) if the arrangement were the only arrangement under the pension scheme relating to that individual.

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(5BB) This subsection applies where—

- (a) during the pension input period all the sums or assets held for the purposes of, or representing accrued rights under, the arrangement are transferred so as to become held for the purposes of, or to represent rights under—
  - (i) a registered pension scheme, or
  - (ii) a qualifying recognised overseas pension scheme,
 in connection with the individual,
- (b) the individual is a deferred member of the pension scheme that the arrangement is under from the beginning of the pension input period until the transfer (or would be if the arrangement were the only arrangement under the pension scheme relating to that individual), and
- (c) rights do not accrue under the arrangement to or in respect of the individual during so much of the pension input period as falls after the transfer.

(5BC) In determining for the purposes of this section whether or not a member of a pension scheme is a deferred member (see particularly the definition of “active member” in section 151(2)), arrangements made under the pension scheme for benefits to accrue, as a consequence of (and immediately after) a relevant inward transfer (as defined in section 232(6)) to or in respect of that member, are to be disregarded—

- (a) if condition B in section 232(6A) is met in relation to the accrual of benefits under the arrangements, or
- (b) so far as the accrual of benefits under the arrangements is to be an increase in the rights of the individual which falls to be subtracted by virtue of section 232(6A)(b).]

(5C) In this section—

“guaranteed minimum pension” has the meaning given by—

- (a) section 8(2) of the Pension Schemes Act 1993, or
- (b) section 4(2) of the Pension Schemes (Northern Ireland) Act 1993;

“predecessor arrangement”, in relation to an arrangement, means another arrangement (under the same or another registered pension scheme) from which some or all of the sums or assets held for the purposes of the arrangement directly or indirectly derive;

“predecessor registered pension scheme”, in relation to a pension scheme, means another registered pension scheme from which some or all of the sums or assets held for the purposes of the arrangement under the pension scheme directly or indirectly derive;

[<sup>F589</sup>“the relevant percentage” means—

- (a) where throughout the pension input period the arrangement (or a predecessor arrangement) includes provision for the value of the relevant rights of the individual to increase at an annual rate which is an RPI-related rate specified in the rules of the pension scheme (or a predecessor registered pension scheme) on 6th April 2012, that rate,
- (b) where throughout the pension input period the arrangement (or a predecessor arrangement) includes provision for the value of the relevant rights of the individual to increase at an annual rate, other than an RPI-related rate, specified in the rules of the pension scheme (or a predecessor registered pension scheme) on 14th October 2010, that rate, and



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- (c) in a case not falling within paragraph (a) or (b), the percentage by which the consumer prices index for a month falling within the pension input period and nominated by the scheme administrator is higher than it was for the same month in the previous period of 12 months (or nil per cent if it is not higher);]

“the relevant rights of the individual” means rights of the individual under the arrangement, other than any rights to a guaranteed minimum pension;

[<sup>F590</sup>“the relevant statutory increase percentage” in relation to a pension input period means the percentage increase in the value of the individual’s rights under the arrangement during the pension input period so far as it is attributable solely to one or more of the following—

- (a) an increase in accordance with section 15 of the Pension Schemes Act 1993 or section 11 of the Pension Schemes (Northern Ireland) Act 1993 (increase of guaranteed minimum where commencement of guaranteed minimum pension postponed);
- (b) a revaluation in accordance with section 16 of the Pension Schemes Act 1993 or section 12 of the Pension Schemes (Northern Ireland) Act 1993 (early leavers: revaluation of earning factors);
- (c) a revaluation in accordance with Chapter 2 of Part 4 of the Pension Schemes Act 1993 or the Pension Schemes (Northern Ireland) Act 1993 (early leavers: revaluation of accrued benefits);
- (d) a revaluation in accordance with Chapter 3 of Part 4 of the Pension Schemes Act 1993 or the Pension Schemes (Northern Ireland) Act 1993 (early leavers: protection of increases in guaranteed minimum pensions);
- (e) the application of section 67 of the Equality Act 2010 (sex equality rule for occupational pension schemes);

“RPI-related rate” (in the definition of “the relevant percentage”) means—

- (a) a rate produced solely by movement in the retail prices index, or
- (b) a rate which (however expressed) is the lower of such a rate and a percentage figure;]

“specified”, in relation to an annual rate, means specified as a percentage figure or as a percentage produced by movement in an index (or a combination of the two) but does not include a percentage produced by the exercise of a discretion by any person.]

- (6) Section 231 (uprating of opening value) and section 232 (adjustments of closing value) supplement this section.

#### Textual Amendments

- F586** S. 230(4) substituted (with effect in accordance with art. 2(a) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **12(a)**
- F587** S. 230(5A)-(5C) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 7(3)**
- F588** S. 230(5B)-(5BC) substituted for s. 230(5B) (with effect in accordance with arts. 2(a), 3(1) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **12(b)**
- F589** Words in s. 230(5C) substituted (with effect in accordance with art. 2(a) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **12(c)(i)**

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**F590** Words in s. 230(5C) inserted (with effect in accordance with art. 2(a) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **12(c)(ii)**

**Modifications etc. (not altering text)**

**C100** S. 230 applied (with modifications) (6.4.2006) by [The Registered Pension Schemes \(Restriction of Employers Relief\) Regulations 2005 \(S.I. 2005/3458\)](#), regs. 1(1), **5** (with regs. 2-4)

**C101** Ss. 230-237 modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), **Sch. 35 para. 5(2)**

**C102** S. 230(1) modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), **Sch. 35 para. 5(1)**

**Commencement Information**

**I82** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

**231 Cash balance arrangements: uprating of opening value**

(1) This section applies for adjusting the opening value of the individual's rights as calculated under section 230(4).

(2) The opening value is to be increased by the appropriate percentage.

[<sup>F591</sup>(3) The appropriate percentage is the percentage (if any) by which the consumer prices index for the September before the start of the tax year is higher than it was for the previous September.]

**Textual Amendments**

**F591** S. 231(3) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 8**

**Modifications etc. (not altering text)**

**C101** Ss. 230-237 modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), **Sch. 35 para. 5(2)**

**C103** S. 231 modified (6.4.2006) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\) Regulations 2006 \(S.I. 2006/207\)](#), regs. 1(1), **9** (as amended (with effect in accordance with reg. 1(7) of the amending S.I.) by [S.I. 2011/1751](#), regs. 1(1), **12(3)**)

**Commencement Information**

**I83** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

**232 Cash balance arrangements: adjustments of closing value**

(1) This section applies for adjusting the closing value of the individual's rights under the arrangement as calculated under section 230(5).

(2) If, during the pension input period, the rights of the individual under the arrangement have been reduced by having become subject to a pension debit, the amount of [<sup>F592</sup>the reduction] is to be added.

(3) If, during the pension input period, the rights of the individual under the arrangement have been increased by the individual having become entitled to a pension credit

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deriving from the same or another registered pension scheme, the amount of [<sup>F593</sup>the increase] is to be subtracted.

- (4) [<sup>F594</sup>In subsection (4A) “relevant outward transfer” means][<sup>F595</sup>a transfer relating to the individual of any sums or assets] held for the purposes of, or representing accrued rights under, the arrangement so as to become held for the purposes of, or to represent rights under, any <sup>F596</sup>... pension scheme that is—
- (a) a registered pension scheme, or
  - (b) a qualifying recognised overseas pension scheme.

<sup>F597</sup> ...

[<sup>F598</sup>(4A) If there is a relevant outward transfer during the pension input period, then—

- (a) if condition A is met, the amount of the reduction specified in paragraph (b) of that condition is to be added;
- (b) if condition A is not met but the rights of the individual under the arrangement have been reduced by reason of the relevant outward transfer, the amount of that reduction is to be added.

Condition A is that—

- (a) the relevant outward transfer (“the transfer”) takes place within a block transfer,
- (b) the rights of the individual under the arrangement have been reduced, and the rights of the individual under the pension scheme mentioned in subsection (4) have been increased, as a consequence (whether direct or indirect) of the transfer, and
- (c) the amount of that reduction is equal (or virtually equal) to the amount of that increase.]

<sup>F599</sup>(5) .....

- (6) [<sup>F600</sup>In subsection (6A) “relevant inward transfer” means][<sup>F601</sup>a transfer relating to the individual] of any sums or assets held for the purposes of, or representing accrued rights under, any pension scheme so as to become held for the purposes of, or to represent rights under, the arrangement<sup>F602</sup> ...

[<sup>F603</sup>(6A) If there is a relevant inward transfer during the pension input period, then—

- (a) if condition B is met, the amount of the increase specified in paragraph (b) of that condition is to be subtracted;
- (b) if condition B is not met but the rights of the individual under arrangement have been increased by reason of the relevant inward transfer, the amount of that increase is to be subtracted.

Condition B is that—

- (a) the relevant inward transfer (“the transfer”) takes place within a block transfer,
- (b) the rights of the individual under the arrangement have been increased, and the rights of the individual under the pension scheme mentioned in subsection (6) have been reduced, as a consequence (whether direct or indirect) of the transfer, and
- (c) the amount of that increase is equal (or virtually equal) to the amount of that reduction.

(6B) For the purposes of Condition A in subsection (4A) and Condition B in subsection (6A)

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- (a) normal actuarial practice must be used when determining and comparing the amount of the reduction, and the amount of the increase, in rights,
- (b) the amount of a reduction or increase in rights under the arrangement is the difference between the amount of those rights under the arrangement immediately before the transfer and immediately after the transfer, and
- (c) the amount of an increase or reduction in rights under a pension scheme is the difference between the amount of those rights under the pension scheme immediately before the transfer and immediately after the transfer.

(6C) In subsections (4A) and (6A)—

“block transfer” means a transfer which involves the transfer in a single transaction of all the sums or assets held for the purposes of, or representing accrued rights under, the arrangements under a pension scheme which relate to the individual and at least one other member of that pension scheme so as to become held for the purposes of, or to represent rights under, any pension scheme.]

[<sup>F604</sup>(6D) For the purposes of subsections (4A) and (6A), the rights of the individual under the arrangement have been reduced or increased, as the case may be, “by reason of” a transfer of sums or assets only where that reduction or increase is solely attributable to the value of those sums or assets.]

<sup>F605</sup>(7) .....

[<sup>F606</sup>(8) If, during the pension input period, the rights of the individual under the arrangement have been reduced by any surrender made, or similar action taken, pursuant to an option available to the individual under the arrangement, the amount of the reduction is to be added.

(8A) If, during the pension input period—

- (a) benefit crystallisation event 1, 2 or 4 occurs in relation to the individual and the arrangement,
- (b) benefit crystallisation event 3 occurs in relation to the individual and the arrangement otherwise than by reason of a provision contained in, or made under, any enactment,
- (c) benefit crystallisation event 6 occurs or, but for paragraph 15A of Schedule 32, would occur in relation to the individual and the arrangement by virtue of the individual becoming entitled to a pension commencement lump sum or a lifetime allowance excess lump sum, or
- (d) there is an allocation of rights of the individual under the arrangement (not falling within paragraph (a)),

the relevant amount is to be added.

(8B) In subsection (8A) “the relevant amount” is—

<sup>F607</sup>(a) .....

<sup>F607</sup>(b) .....

- (c) in the case of benefit crystallisation event 6, the amount of the lump sum, and
- (d) in any other case, the amount of the reduction in the amount of the rights available for the provision of benefits to or in respect of the individual occurring by reason of the benefit crystallisation event or allocation.

(8C) If, during the pension input period, an adjustment to the individual's rights under the arrangement is made in consequence of the scheme administrator satisfying a liability

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under section 237B in respect of the individual, if and to the extent that the adjustment is reflected in the closing amount the amount of the adjustment is to be added to the closing amount.

(8D) But no amount is to be added under subsection (8C) by reason of an adjustment made in consequence of the scheme administrator satisfying a liability under section 237B <sup>F608</sup>in a case where—

- (a) the individual becomes actually entitled to all of the individual's benefits under the pension scheme or benefit crystallisation event 5, 5A or 5B occurs in relation to the individual and the pension scheme, and
- (b) the adjustment takes place after the individual becomes so entitled or the benefit crystallisation event occurs.]]

<sup>F609</sup>(9) .....

#### Textual Amendments

- F592** Words in s. 232(2) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\), Sch. 17 para. 9\(2\)](#)
- F593** Words in s. 232(3) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\), Sch. 17 para. 9\(3\)](#)
- F594** Words in s. 232(4) substituted (with effect in accordance with arts. 2(b), 3(3) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\), arts. 1, 13\(a\)\(i\)](#)
- F595** Words in s. 232(4) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\), Sch. 17 para. 9\(4\)\(b\)](#)
- F596** Word in s. 232(4) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\), Sch. 17 para. 9\(4\)\(c\)](#)
- F597** Words in s. 232(4) omitted (with effect in accordance with arts. 2(b), 3(3) of the amending S.I.) by virtue of [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\), arts. 1, 13\(a\)\(ii\)](#)
- F598** S. 232(4A) inserted (with effect in accordance with arts. 2(b), 3(3) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\), arts. 1, 13\(b\)](#)
- F599** S. 232(5) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\), Sch. 17 para. 9\(5\)](#)
- F600** Words in s. 232(6) substituted (with effect in accordance with art. 2(b) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\), arts. 1, 13\(c\)\(i\)](#)
- F601** Words in s. 232(6) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\), Sch. 17 para. 9\(6\)\(b\)](#)
- F602** Words in s. 232(6) omitted (with effect in accordance with art. 2(b) of the amending S.I.) by virtue of [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\), arts. 1, 13\(c\)\(ii\)](#)
- F603** S. 232(6A)-(6C) inserted (with effect in accordance with art. 2(b) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\), arts. 1, 13\(d\)](#)
- F604** S. 232(6D) inserted (with effect in accordance with art. 3(4) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\), arts. 1, 13\(e\)](#)
- F605** S. 232(7) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\), Sch. 17 para. 9\(7\)](#)

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- F606** S. 232(8)-(8D) substituted for s. 232(8) (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 9\(8\)](#)
- F607** S. 232(8B)(a)(b) omitted (with effect in accordance with art. 4 of the amending S.I.) by virtue of [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [13\(f\)](#)
- F608** Words in s. 232(8D) substituted (with effect in accordance with art. 5 of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [13\(g\)](#)
- F609** S. 232(9) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 9\(9\)](#)

**Modifications etc. (not altering text)**

- C101** Ss. 230-237 modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), [Sch. 35 para. 5\(2\)](#)
- C104** S. 232 applied (with modifications) (6.4.2006) by [The Registered Pension Schemes \(Restriction of Employers Relief\) Regulations 2005 \(S.I. 2005/3458\)](#), regs. 1(1), [5](#) (with regs. 2-4)

**Commencement Information**

- I84** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

**233 Other money purchase arrangements**

- (1) The pension input amount in respect of a money purchase arrangement other than a cash balance arrangement is the total of—
- (a) any relievable pension contributions paid by or on behalf of the individual under the arrangement, and
  - (b) contributions paid in respect of the individual under the arrangement by an employer of the individual,
- during the pension input period of the arrangement that ends in the tax year.

<sup>F610</sup>(2) .....

- (3) When at any time contributions paid under a pension scheme by an employer otherwise than in respect of any individual become held for the purposes of the provision under an arrangement under the pension scheme of benefits to or in respect of an individual, they are to be treated as being contributions paid at that time in respect of the individual under the arrangement.

[<sup>F611</sup>(4) References to “contributions” in subsection (1) do not include any amount which is a refund of excess contributions lump sum (see paragraph 6 of Schedule 29).]

**Textual Amendments**

- F610** S. 233(2) omitted (retrospective to 6.4.2013) by virtue of [Finance Act 2013 \(c. 29\)](#), [s. 52\(7\)\(10\)](#)
- F611** S. 233(4) inserted (with effect in accordance with art. 6 of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [14](#)

**Modifications etc. (not altering text)**

- C101** Ss. 230-237 modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), [Sch. 35 para. 5\(2\)](#)
- C105** S. 233 applied (with modifications) (6.4.2006) by [The Registered Pension Schemes \(Restriction of Employers Relief\) Regulations 2005 \(S.I. 2005/3458\)](#), regs. 1(1), [6](#) (with regs. 2-4)

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**C106** S. 233(1) modified (21.7.2009) by [Finance Act 2009 \(c. 10\), Sch. 35 para. 5\(1\)](#)

#### Commencement Information

**I85** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

### 234 Defined benefits arrangements

- (1) The pension input amount in respect of a defined benefits arrangement is the amount of any increase in the value of the individual's rights under the arrangement during the pension input period of the arrangement that ends in the tax year.
  - (2) There is an increase in the value of the individual's rights under the arrangement during the pension input period if—
    - (a) the opening value of the individual's rights under the arrangement, is exceeded by
    - (b) the closing value of the individual's rights under the arrangement.
  - (3) The amount of the increase in the value of the individual's rights under the arrangement during the pension input period is the amount of that excess.
- [<sup>F612</sup>(4) The opening value of the individual's rights under the arrangement is—
- $$(16 \times \text{PB}) + \text{LSB}$$
- [<sup>F613</sup>where—
- PB is—
- (a) if the pension input period is the first pension input period of the arrangement, the annual rate of the pension which would, on the valuation assumptions (see section 277), be payable to the individual under the arrangement if the individual became entitled to payment of it immediately before that pension input period (or is nil if no such annual rate would be so payable), or
  - (b) in any other case, the annual rate of the pension which would, on the valuation assumptions, be payable to the individual under the arrangement if the individual became entitled to payment of it at the end of the immediately preceding pension input period, and
- LSB is—
- (a) if the pension input period is the first pension input period of the arrangement, the amount of the lump sum to which the individual would, on the valuation assumptions, be entitled under the arrangement (otherwise than by commutation of pension) if the individual became entitled to the payment of it immediately before that pension input period (or is nil if there is no such lump sum to which the individual would be so entitled), or
  - (b) in any other case, the amount of the lump sum to which the individual would, on the valuation assumptions, be entitled under the arrangement (otherwise than by commutation of pension) if the individual became entitled to the payment of it at the end of the immediately preceding pension input period.]

- [<sup>F614</sup>(5) The closing value of the] individual's rights under the arrangement is—

$$(16 \times \text{PE}) + \text{LSE}$$

where—

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PE is the annual rate of the pension which would, on the valuation assumptions, be payable to the individual under the arrangement if the individual became entitled to payment of it at the end of the pension input period, and

LSE is the amount of the lump sum to which the individual would, on the valuation assumptions, be entitled under the arrangement (otherwise than by commutation of pension) if the individual became entitled to the payment of it at that time.]

[<sup>F615</sup>(5A) If, during the pension input period, minimum payments are made under—

- (a) section 8 of the Pension Schemes Act 1993, or
- (b) section 4 of the Pension Schemes (Northern Ireland) Act 1993,

in relation to the individual in connection with the arrangement, their amount is to be subtracted from what would otherwise be the pension input amount in the case of the individual in respect of the arrangement.

[<sup>F616</sup>(5B) The pension input amount in respect of the arrangement is nil where—

- (a) subsection (5BA) or (5BB) applies and the value of the relevant rights of the individual under the arrangement does not increase during the pension input period by more than—
  - (i) the relevant percentage, plus
  - (ii) the relevant statutory increase percentage, or
- (b) subsection (5BC) applies.

(5BA) This subsection applies where the individual—

- (a) is, throughout the pension input period, a deferred member of the pension scheme that the arrangement is under,
- (b) is such a deferred member for part of the pension input period and a pensioner member for the rest of it, or
- (c) would meet the condition in paragraph (a) or (b) if the arrangement were the only arrangement under the pension scheme relating to the individual.

(5BB) This subsection applies where—

- (a) during the pension input period there is a transfer of all the sums or assets held for the purposes of, or representing accrued rights under, the arrangement so as to become held for the purposes of, or to represent rights under—
  - (i) a registered pension scheme, or
  - (ii) a qualifying recognised overseas pension scheme,
 in connection with the individual,
- (b) the individual is a deferred member of the pension scheme that the arrangement is under from the beginning of the pension input period until the transfer (or would be if the arrangement were the only arrangement under the pension scheme relating to that individual), and
- (c) rights do not accrue under the arrangement to or in respect of the individual during so much of the pension input period as falls after the transfer.

(5BC) This subsection applies where—

- (a) the arrangement (“the annuity arrangement”) is a defined benefits arrangement under an annuity contract which is treated as a registered pension scheme under section 153(8),



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- (b) throughout the pension input period the annuity arrangement (or a predecessor arrangement) includes provision for the relevant rights of the individual to increase at an annual rate (“the annuity rate”) which—
    - (i) was specified in the contract (or in the rules of a predecessor registered pension scheme) on 14 October 2010, or
    - (ii) is the CPI percentage or the RPI percentage, and
  - (c) the value of the relevant rights of the individual does not increase during the pension input period at an annual rate greater than the annuity rate plus the relevant statutory increase percentage.
- (5BD) In determining for the purposes of this section whether or not a member of a pension scheme is a deferred member (see particularly the definition of “active member” in section 151(2)), arrangements made under the pension scheme for benefits to accrue, as a consequence of (and immediately after) a relevant inward transfer (as defined in section 236(5)) to or in respect of that member, are to be disregarded—
- (a) if condition B in section 236(5A) is met in relation to the accrual of benefits under the arrangements, or
  - (b) so far as the accrual of benefits under the arrangements is to be a subtractable increase in the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the defined benefits arrangement.
- (5BE) In subsection (5BD) “subtractable increase” means an increase which falls to be subtracted from PE or LSE by virtue of section 236(5A)(b).]
- (5C) In this section—
- “<sup>F617</sup>CPI percentage” means the percentage mentioned in paragraph (c) of the definition of “the relevant percentage” (see below)]
  - “guaranteed minimum pension” has the meaning given by—
    - (a) section 8(2) of the Pension Schemes Act 1993, or
    - (b) section 4(2) of the Pension Schemes (Northern Ireland) Act 1993;
  - “predecessor arrangement”, in relation to an arrangement, means another arrangement (under the same or another registered pension scheme) from which some or all of the sums or assets held for the purposes of the arrangement directly or indirectly derive;
  - “predecessor registered pension scheme”, in relation to a pension scheme, means another registered pension scheme from which some or all of the sums or assets held for the purposes of the arrangement under the pension scheme directly or indirectly derive;
  - “<sup>F618</sup>the relevant percentage” means—
    - (a) where throughout the pension input period the arrangement (or a predecessor arrangement) includes provision for the value of the relevant rights of the individual to increase at an annual rate, which is an RPI-related rate, specified in the rules of the pension scheme (or a predecessor registered pension scheme) on 6 April 2012, that rate,
    - (b) where throughout the pension input period the arrangement (or a predecessor arrangement) includes provision for the value of the relevant rights of the individual to increase at an annual rate, other than an RPI-related rate, specified in the rules of the pension scheme (or a predecessor registered pension scheme) on 14 October 2010, that rate, and

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- (c) in a case not falling within paragraph (a) or (b), the percentage by which the consumer prices index for a month falling within the pension input period and nominated by the scheme administrator is higher than it was for the same month in the previous period of 12 months (or nil per cent if it is not higher);]

“the relevant rights of the individual” means rights of the individual under the arrangement, other than any rights to a guaranteed minimum pension;

[<sup>F619</sup>“the relevant statutory increase percentage” in relation to a pension input period means the percentage increase in the value of the individual’s rights under the arrangement during the pension input period so far as it is attributable solely to one or more of the following—

- (a) an increase in accordance with section 15 of the Pension Schemes Act 1993 or section 11 of the Pension Schemes (Northern Ireland) Act 1993 (increase of guaranteed minimum where commencement of guaranteed minimum pension postponed);
- (b) a revaluation in accordance with section 16 of the Pension Schemes Act 1993 or section 12 of the Pension Schemes (Northern Ireland) Act 1993 (early leavers: revaluation of earning factors);
- (c) a revaluation in accordance with Chapter 2 of Part 4 of the Pension Schemes Act 1993 or the Pension Schemes (Northern Ireland) Act 1993 (early leavers: revaluation of accrued benefits);
- (d) a revaluation in accordance with Chapter 3 of Part 4 of the Pension Schemes Act 1993 or the Pension Schemes (Northern Ireland) Act 1993 (early leavers: protection of increases in guaranteed minimum pensions);
- (e) the application of section 67 of the Equality Act 2010 (sex equality rule for occupational pension schemes);

“RPI percentage” means the percentage by which the retail prices index for a month falling within the pension input period and nominated by the scheme administrator is higher than it was for the same month in the previous period of 12 months (or nil per cent if it is not higher);

“RPI-related rate” (in the definition of “the relevant percentage”) means—

- (a) a rate produced solely by movement in the retail prices index, or
- (b) a rate which (however expressed) is the lower of such a rate and a percentage figure;]

“specified”, in relation to an annual rate, means specified as a percentage figure or as a percentage produced by movement in an index (or a combination of the two) but does not include a percentage produced by the exercise of a discretion by any person.

- (6) Section 235 (uprating of opening value)[<sup>F620</sup>, section 236 (adjustments of closing value) and section 236A (post-entitlement enhancements)] supplement this section.]

#### Textual Amendments

- F612** Word in s. 234(4) formula substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 10\(2\)\(a\)](#)
- F613** Words in s. 234(4) substituted (with effect in accordance with art. 2(c) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [15\(a\)](#)
- F614** Word in s. 234(5) formula substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 10\(3\)](#)

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- F615** S. 234(5A)-(5C) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by Finance Act 2011 (c. 11), **Sch. 17 para. 10(4)**
- F616** S. 234(5B)-(5BE) substituted for s. 234(5B) (with effect in accordance with arts. 2(c), 3(2) of the amending S.I.) by The Finance Act 2004 (Registered Pension Schemes and Annual Allowance Charge) (Amendment) Order 2015 (S.I. 2015/80), arts. 1, **15(b)**
- F617** Words in s. 234(5C) inserted (with effect in accordance with art. 2(c) of the amending S.I.) by The Finance Act 2004 (Registered Pension Schemes and Annual Allowance Charge) (Amendment) Order 2015 (S.I. 2015/80), arts. 1, **15(c)(i)**
- F618** Words in s. 234(5C) substituted (with effect in accordance with art. 2(c) of the amending S.I.) by The Finance Act 2004 (Registered Pension Schemes and Annual Allowance Charge) (Amendment) Order 2015 (S.I. 2015/80), arts. 1, **15(c)(ii)**
- F619** Words in s. 234(5C) inserted (with effect in accordance with art. 2(c) of the amending S.I.) by The Finance Act 2004 (Registered Pension Schemes and Annual Allowance Charge) (Amendment) Order 2015 (S.I. 2015/80), arts. 1, **15(c)(iii)**
- F620** Words in s. 234(6) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by Finance Act 2011 (c. 11), **Sch. 17 para. 10(5)**

#### **Modifications etc. (not altering text)**

- C101** Ss. 230-237 modified (21.7.2009) by Finance Act 2009 (c. 10), **Sch. 35 para. 5(2)**
- C107** S. 234 applied (with modifications) (6.4.2006) by The Registered Pension Schemes (Restriction of Employers Relief) Regulations 2005 (S.I. 2005/3458), regs. 1(1), **7** (with regs. 2-4)
- C108** S. 234 modified (1.4.2015) by The Teachers' Pension Scheme (Consequential Provisions) Regulations 2015 (S.I. 2015/436), regs. 1(2), **15(2)(3)** (with reg. 15(1))
- C109** S. 234 applied (with modifications) (N.I.) (1.4.2015) by The Teachers' Pension Scheme (Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015/170), regs. 1, **14(2)**
- C110** S. 234 modified (S.) (1.4.2015) by The National Health Service Pension Scheme (Consequential Provisions) (Scotland) Regulations 2015 (S.S.I. 2015/145), regs. 1(2), **15(2)(3)** (with reg. 15(1))
- C111** S. 234 modified (S.) (1.4.2015) by The Police Pensions (Consequential Provisions) (Scotland) Regulations 2015 (S.S.I. 2015/118), regs. 1(3), **15(2)(3)** (with reg. 15(1))
- C112** S. 234 modified (S.) (1.4.2015) by The Teachers' Pension Scheme (Consequential Provisions) (Scotland) Regulations 2015 (S.S.I. 2015/146), regs. 1(2), **15(2)(3)** (with reg. 15(1))
- C113** S. 234 modified (S.) (1.4.2015) by The Firefighters' Pension Scheme (Consequential Provisions) (Scotland) Regulations 2015 (S.S.I. 2015/117), regs. 1(3), **14(2)(3)** (with reg. 14(1))
- C114** S. 234 modified (1.4.2015) by The Police Pensions (Consequential Provisions) Regulations 2015 (S.I. 2015/370), regs. 1(2), **15(2)(3)**
- C115** S. 234 applied (with modifications) (1.4.2015) by The National Health Service Pension Scheme (Consequential Provisions) Regulations 2015 (S.I. 2015/432), regs. 1(2), **15(2)**
- C116** S. 234 modified (W.) (1.4.2015) by The Firefighters Pension Scheme (Wales) (Consequential Provisions) Regulations 2015 (S.I. 2015/848), regs. 1(2), **14(2)(3)** (with reg. 14(1))
- C117** S. 234 modified (1.4.2015) by The Firefighters' Pension Scheme (England) (Consequential Provisions) Regulations 2015 (S.I. 2015/319), regs. 1(2), **14(2)(3)**
- C118** S. 234 applied (with modifications) (N.I.) (1.4.2015) by The Public Service (Civil Servants and Others) Pensions (Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015/81), regs. 1(1), **14(2)**
- C119** S. 234 applied (with modifications) (N.I.) (1.4.2015) by The Health Service Workers (Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015/167), regs. 1, **14(2)**
- C120** S. 234 applied (with modifications) (N.I.) (1.4.2015) by The Police Pensions (Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015/156), regs. 1(2), **14(2)**
- C121** S. 234 modified (1.4.2015) by The Public Service (Civil Servants and Others) Pensions (Consequential and Amendment) Regulations 2015 (S.I. 2015/372), regs. 1(2), **15(2)(3)**
- C122** S. 234 applied (with modifications) (N.I.) (1.4.2015) by The Firefighters' Pension Scheme (Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015/166), regs. 1, **13(2)**

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- C123** S. 234 modified (1.4.2015) by [The Armed Forces Pension \(Consequential Provisions\) Regulations 2015 \(S.I. 2015/390\)](#), regs. 1(2), **15(2)** (with reg. 15(1))
- C124** S. 234(1) modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), **Sch. 35 para. 5(1)**
- C125** S. 234(4)(5) applied (with modifications) (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 28(6)**

#### Commencement Information

- I86** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

### 235 Defined benefits arrangements: uprating of opening value

- (1) This section applies for adjusting the opening value of the individual's rights as calculated under section 234(4) <sup>F621</sup>....
- (2) The opening value is to be increased by the appropriate percentage.
- [<sup>F622</sup>(3) The appropriate percentage is the percentage (if any) by which the consumer prices index for the September before the start of the tax year is higher than it was for the previous September.]

#### Textual Amendments

- F621** Words in s. 235(1) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 11(2)**
- F622** S. 235(3) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 11(3)**

#### Modifications etc. (not altering text)

- C101** Ss. 230-237 modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), **Sch. 35 para. 5(2)**
- C126** S. 235 modified (6.4.2006) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\) Regulations 2006 \(S.I. 2006/207\)](#), regs. 1(1), **10** (as amended (with effect in accordance with reg. 1(7) of the amending S.I.) by [S.I. 2011/1751](#), regs. 1(1), **12(4)**)

#### Commencement Information

- I87** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

### 236 Defined benefits arrangements: adjustments of closing value

- (1) This section applies for adjusting [<sup>F623</sup>PE and LSE] under section 234(5).
- (2) If, during the pension input period, the [<sup>F624</sup>annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has] been reduced by having become subject to a pension debit, the amount of [<sup>F625</sup>the reduction] is to be added [<sup>F626</sup>to PE or LSE].
- (3) If, during the pension input period, the [<sup>F627</sup>annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has] been increased by the individual having become entitled to a pension credit deriving from the same or another registered pension scheme, the amount of [<sup>F628</sup>the increase] is to be subtracted [<sup>F629</sup>from PE or LSE].

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[<sup>F630</sup>(4) [<sup>F631</sup>In subsection (4A) “relevant outward transfer means] a transfer relating to the individual of any sums or assets held for the purposes of, or representing accrued rights under, the arrangement so as to become held for the purposes of, or to represent rights under, any pension scheme that is—

- (a) a registered pension scheme, or
- (b) a qualifying recognised overseas pension scheme,

<sup>F632</sup> ...

[<sup>F633</sup>(4A) If there is a relevant outward transfer during the pension input period, then—

- (a) if condition A is met, and there has been a reduction in the annual rate of the pension or a reduction in the amount of the lump sum to which the individual would be entitled under the arrangement, as a consequence (whether direct or indirect) of the relevant outward transfer, the amount of that reduction is to be added to PE or LSE, so far as that amount is reflected in the reduction in the value of benefits mentioned in paragraph (b) of condition A;
- (b) if condition A is not met but the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has been reduced by reason of the relevant outward transfer, the amount of that reduction is to be added to PE or LSE.

Condition A is that—

- (a) the relevant outward transfer (“the transfer”) takes place within a block transfer,
- (b) the value of the benefits to be paid to or in respect of the individual under the arrangement has been reduced and the value of the benefits to be paid to or in respect of the individual under the pension scheme mentioned in subsection (4) has been increased, as a consequence (whether direct or indirect) of the transfer,
- (c) the amount of that reduction is equal (or virtually equal) to the amount of that increase, and
- (d) the transfer is not part of an arrangement the main purpose (or one of the main purposes) of which is the avoidance of tax.]

(5) [<sup>F634</sup>In subsection (5A) “relevant inward transfer means] a transfer relating to the individual of any sums or assets held for the purposes of, or representing accrued rights under, any pension scheme so as to become held for the purposes of, or to represent rights under, the arrangement <sup>F635</sup>....]

[<sup>F636</sup>(5A) If there is a relevant inward transfer during the pension input period, then—

- (a) if condition B is met, and there has been an increase in the annual rate of the pension or an increase in the amount of the lump sum to which the individual would be entitled under the arrangement, as a consequence (whether direct or indirect) of the relevant inward transfer, the amount of that increase is to be subtracted from PE or LSE, so far as that amount is reflected in the increase in the value of benefits mentioned in paragraph (b) of condition B;
- (b) if condition B is not met but the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has been increased by reason of the relevant inward transfer, the amount of that increase is to be subtracted from PE or LSE.

Condition B is that-

- (a) the relevant inward transfer (“the transfer”) took place within a block transfer,

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- (b) the value of the benefits to be paid to or in respect of the individual under the arrangement has been increased, and the value of the benefits to be paid to or in respect of the individual under the pension scheme mentioned in subsection (5) has been reduced, as a consequence (whether direct or indirect) of the transfer,
  - (c) the amount of that increase in value is equal (or virtually equal) to the amount of that reduction, and
  - (d) the transfer is not part of an arrangement the main purpose (or one of the main purposes) of which is the avoidance of tax.
- (5B) For the purposes of Condition A in subsection (4A) and Condition B in subsection (5A)
- (a) normal actuarial practice must be used when determining and comparing the amount of a reduction, and the amount of an increase, in the value of benefits to be paid to or in respect of the individual,
  - (b) the amount of a reduction or increase in the value of benefits to be paid to or in respect of the individual under the arrangement is the difference between the value of those benefits under that arrangement immediately before the transfer and immediately after the transfer, and
  - (c) the amount of an increase or reduction in the value of benefits to be paid to or in respect of an individual under a pension scheme is the difference between the value of those benefits under that pension scheme immediately before and immediately after the transfer.
- (5C) In subsections (4A) and (5A)—
- “block transfer” means a transfer which involves the transfer in a single transaction of all the sums or assets held for the purposes of, or representing accrued rights under, the arrangements under a pension scheme which relate to the individual and at least one other member of that pension scheme so as to become held for the purposes of, or to represent rights under, any pension scheme.]
- [<sup>F637</sup>(5D) For the purposes of subsections (4A) and (5A), the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has been reduced or increased, as the case may be, “by reason of” a transfer of sums or assets only where that reduction or increase is solely attributable to the value of those sums or assets.]
- [<sup>F638</sup>(8) If, during the pension input period, the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has been reduced by any surrender made in return for any other entitlement, any allocation made, or any similar action taken, pursuant to an option available to the individual under the arrangement, the amount of the reduction (to the extent that it is not reflected in an amount added under subsection (8A)) is to be added to PE or LSE.
- (8A) If, during the pension input period—
- (a) benefit crystallisation event 2 occurs in relation to the individual and the arrangement,
  - (b) benefit crystallisation event 3 occurs in relation to the individual and the arrangement otherwise than by reason of a provision contained in, or made under, any enactment, or

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- (c) benefit crystallisation event 6 occurs in relation to the individual and the arrangement by virtue of the individual becoming entitled to a pension commencement lump sum or a lifetime allowance excess lump sum, the relevant amount is to be added to PE or LSE.
- (8B) In subsection (8A) “the relevant amount” is—
- (a) in the case of benefit crystallisation event 2, the annual rate of the pension to which the individual became entitled,
  - (b) in the case of benefit crystallisation event 3, the increase in the annual rate of the pension, and
  - (c) in the case of benefit crystallisation event 6, the amount of the lump sum.
- (8C) If, during the pension input period, an adjustment to the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has been made in consequence of the scheme administrator satisfying a liability under section 237B in respect of the individual, if and to the extent that the adjustment is reflected in PE or LSE the amount of the adjustment is to be added to PE or LSE.
- (8D) But no amount is to be added under subsection (8C) by reason of an adjustment made in consequence of the scheme administrator satisfying a liability under section 237B <sup>F639</sup>in a case where—
- (a) the individual becomes actually entitled to all of the individual’s benefits under the pension scheme or benefit crystallisation event 5, 5A or 5B occurs in relation to the individual and the pension scheme, and
  - (b) the adjustment takes place after the individual becomes so entitled or the benefit crystallisation event occurs.]]

<sup>F640</sup>(9) .....

#### Textual Amendments

- F623** Words in s. 236(1) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(2\)](#)
- F624** Words in s. 236(2) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(3\)\(a\)](#)
- F625** Words in s. 236(2) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(3\)\(b\)](#)
- F626** Words in s. 236(2) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(3\)\(c\)](#)
- F627** Words in s. 236(3) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(4\)\(a\)](#)
- F628** Words in s. 236(3) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(4\)\(b\)](#)
- F629** Words in s. 236(3) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(4\)\(c\)](#)
- F630** S. 236(4)(5) substituted for s. 236(4)-(7) (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(5\)](#)
- F631** Words in s. 236(4) substituted (with effect in accordance with arts. 2(d), 3(5) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [16\(a\)\(i\)](#)

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- F632** Words in s. 236(4) omitted (with effect in accordance with arts. 2(d), 3(5) of the amending S.I.) by virtue of [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **16(a)(ii)**
- F633** S. 236(4A) inserted (with effect in accordance with arts. 2(d), 3(5) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **16(b)**
- F634** Words in s. 236(5) substituted (with effect in accordance with art. 2(d) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **16(c)(i)**
- F635** Words in s. 236(5) omitted (with effect in accordance with art. 2(d) of the amending S.I.) by virtue of [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **16(c)(ii)**
- F636** S. 236(5A)-(5C) inserted (with effect in accordance with art. 2(d) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **16(d)**
- F637** S. 236(5D) inserted (with effect in accordance with art. 3(6) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **16(e)**
- F638** S. 236(8)-(8D) substituted for s. 236(8) (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 12(6)**
- F639** Words in s. 236(8D) substituted (with effect in accordance with art. 7 of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **16(f)**
- F640** S. 236(9) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 12(7)**

#### Modifications etc. (not altering text)

- C101** Ss. 230-237 modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), **Sch. 35 para. 5(2)**
- C127** S. 236 applied (with modifications) (6.4.2006) by [The Registered Pension Schemes \(Restriction of Employers Relief\) Regulations 2005 \(S.I. 2005/3458\)](#), regs. 1(1), **7** (with regs. 2-4)
- C128** S. 236 applied (with modifications) (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), **Sch. 35 para. 6(6)**

#### Commencement Information

- I88** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

### [<sup>F641</sup>236A] Post-entitlement enhancements

- (1) This section applies in relation to the arrangement if, during the pension input period (“the affected pension input period”), the individual enters into a scheme for the making of an avoidance-inspired post-entitlement enhancement.
- (2) A “post-entitlement enhancement” is an increase in the annual rate of a scheme pension under the arrangement, at a time after the member has become entitled to the scheme pension.
- (3) A post-entitlement enhancement is “avoidance-inspired” if the main purpose, or one of the main purposes, of the individual in entering into the scheme was to avoid or reduce a liability to the annual allowance charge.
- (4) This Part has effect in relation to the arrangement and the individual, as respects the affected pension input period and all subsequent pension input periods, as if—
  - (a) section 234 were modified in accordance with subsection (5), and



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- (b) sections 235 and 236 were omitted.
- (5) The modifications of section 234 are that—
- (a) in subsection (4), for the words after “the arrangement is” there are substituted “such amount as, applying normal actuarial practice, is the expected cost of giving effect to the individual's rights under the arrangement at the end of the immediately preceding pension input period (or is nil if the pension input period is the first pension input period of the arrangement).”,
  - (b) in subsection (5), for the words after “the arrangement is” there are substituted “such amount as, applying normal actuarial practice, is the expected cost of giving effect to the individual's rights under the arrangement at the end of the pension input period.”, and
  - (c) subsection (6) is omitted.
- (6) In this section “scheme” includes any arrangements, agreement, understanding, transaction or series of transactions (whether or not legally enforceable).]

#### Textual Amendments

**F641** S. 236A inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 13](#)

## 237 Hybrid arrangements

- (1) The pension input amount in respect of a hybrid arrangement is the greater or greatest of such of input amounts A, B and C as are relevant input amounts.
- (2) An input amount is a relevant input amount in the case of a hybrid arrangement if, in any circumstances, the benefits that may be provided to or in respect of the individual under the arrangement may be benefits of the variety mentioned in the definition of that input amount.
- (3) Input amount A is what would be the pension input amount under sections 230 to 232 if the benefits provided to or in respect of the individual under the arrangement were cash balance benefits.
- (4) Input amount B is what would be the pension input amount under section 233 if the benefits provided to or in respect of the individual under the arrangement were other money purchase benefits.
- (5) Input amount C is what would be the pension input amount under sections 234 to <sup>[F642]</sup>236A if the benefits provided to or in respect of the individual under the arrangement were defined benefits.

#### Textual Amendments

**F642** Word in s. 237(5) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 14](#)

#### Modifications etc. (not altering text)

**C101** Ss. 230-237 modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), [Sch. 35 para. 5\(2\)](#)

**C129** S. 237 applied (with modifications) (6.4.2006) by [The Registered Pension Schemes \(Restriction of Employers Relief\) Regulations 2005 \(S.I. 2005/3458\)](#), regs. 1(1), **8** (with regs. 2-4)

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### Commencement Information

**189** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## [<sup>F643</sup>237ZA] Pension input amounts for input periods ending in 2015-16

- (1) This section applies where the tax year is the pre-alignment tax year or the post-alignment tax year (see section 228C(2)).

*Modified rules for cash balance, or defined benefits, arrangement*

- (2) The rules for calculating the pension input amount in respect of a cash balance arrangement, or a defined benefits arrangement, are modified as follows (and the rules for calculating the pension input amount in respect of a hybrid arrangement have effect accordingly).

*Single input amount to be calculated for combined period*

- (3) The pension input amount in respect of the arrangement is the time-apportioned percentage of any increase in the value of the individual's rights under the arrangement during the period (“the combined period”) that consists of the combination of all pension input periods of the arrangement that end—
- (a) on or after 6 April 2015 but on or before 8 July 2015, or
  - (b) on 5 April 2016.
- (4) To calculate the increase (if any) in the value of the individual's rights under the arrangement during the combined period, apply (as the case may be) sections 230 to 232 (except section 230(1)), or sections 234 to 236A (except section 234(1)), as if—
- (a) references to the pension input period were references to the combined period,
  - (b) the combined period were a pension input period of the arrangement,
  - (c) 2.5% were the appropriate percentage specified in section 231(3) or 235(3), and
  - (d) 2.5% were the percentage mentioned in paragraph (c) of the definition of “relevant percentage” given by section 230(5C) or 234(5C),
- but paragraph (d) does not have effect for the purposes of the definition of “CPI percentage” given by section 234(5C).

*Apportioning input amount for combined period to tax years*

- (5) “The time-apportioned percentage” for the post-alignment tax year is—

$$272 D \times 100$$

and “the time-apportioned percentage” for the pre-alignment tax year is—

$$D - 272 D \times 100$$

where D is the number of days in the combined period.

*Calculation and apportionment rules modified in certain cases*

- (6) Subsections (3) to (5) have effect subject to the following provisions of this section.

*Exceptions in certain cases where individual is deferred member of scheme*

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- (7) Subsections (3) to (5) do not apply, and subsections (8) and (9) apply instead, if—
- (a) because of section 238ZA(2), a pension input period for the arrangement ends with 8 July 2015,
  - (b) another pension input period for the arrangement ends with a day (“the unchanged last day”) after 5 April 2015 but before 8 July 2015, and
  - (c) section 230(5B) or 234(5B), when applied separately to each of—
    - (i) the pension input period for the arrangement ending with 8 July 2015, and
    - (ii) the pension input period for the arrangement ending with 5 April 2016,gives the result that the pension input amount in respect of the arrangement for each of those periods is nil.
- (8) The pension input amount in respect of the arrangement for the post-alignment tax year is nil.
- (9) The pension input amount in respect of the arrangement for the pre-alignment tax year is the amount which would be the pension input amount in respect of the arrangement for the pre-alignment tax year if—
- (a) the pension input period ending with the unchanged last day were the only pension input period for the arrangement ending in the pre-alignment tax year, and
  - (b) subsections (3) to (5) were ignored.

*Modifications in some other cases where individual is deferred member of scheme*

- (10) Subsections (11) to (13) apply if—
- (a) because of section 238ZA(2), a pension input period for the arrangement ends with 8 July 2015,
  - (b) apart from section 238ZA(2), that pension input period (“the cut-short period”) would have ended with a day (“the original last day”) after 8 July 2015 but before 5 April 2016,
  - (c) at or after the beginning of the cut-short period but not later than the original last day, or in an earlier pension input period for the arrangement, the individual becomes a deferred member of the pension scheme that the arrangement is under, and
  - (d) were the period—
    - (i) beginning with the day after the original last day, and
    - (ii) ending with 5 April 2016,a pension input period for the arrangement, the pension input amount in respect of the arrangement for that period would be nil by virtue of section 230(5B) or 234(5B).
- (11) Subsections (3) to (5) have effect as if the original last day, and not 5 April 2016, were the last day of the combined period (so that, in particular, D in subsection (5) is the number of days in the combined period as so shortened).
- (12) If the individual becomes a deferred member of the pension scheme in a pension input period for the arrangement earlier than the cut-short period—
- (a) the time-apportioned percentage for the post-alignment tax year is treated as being nil, and

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(b) the time-apportioned percentage for the pre-alignment tax year is treated as being 100.

(13) If the individual becomes a deferred member of the pension scheme at or after the beginning of the cut-short period but not later than the original last day, subsection (5) has effect as if for “ 272 ”, in each place, there were substituted the number of days in the period beginning with 9 July 2015 and ending with the original last day.

*Modification where first input period ends with 5 April 2016*

(14) If the first pension input period for the arrangement ends with 5 April 2016—

(a) the time-apportioned percentage for the post-alignment tax year is treated as being 100, and

(b) the time-apportioned percentage for the pre-alignment tax year is treated as being nil.

*Modification where last input period ends before 9 July 2015*

(15) If the last pension input period for the arrangement ends after 5 April 2015 but before 9 July 2015—

(a) the time-apportioned percentage for the post-alignment tax year is treated as being nil, and

(b) the time-apportioned percentage for the pre-alignment tax year is treated as being 100.

*Alternative modifications where individual is deferred member of scheme*

(16) Subsections (17) and (18) apply if—

(a) subsections (8) and (9) do not apply,

(b) subsections (11) to (13) do not apply,

(c) subsection (14) does not apply, and

(d) section 230(5B) or 234(5B), when applied separately to each of—

(i) so much of the combined period as consists of the post-alignment tax year, and

(ii) the remainder of the combined period (for this purpose treating that remainder as a single pension input period if not otherwise the case),

gives the result that the pension input amount in respect of the arrangement for one (but not the other) of those parts of the combined period is nil.

(17) If the nil result is for so much of the combined period as consists of the post-alignment tax year—

(a) the time-apportioned percentage for the post-alignment tax year is treated as being nil, and

(b) the time-apportioned percentage for the pre-alignment tax year is treated as being 100.

(18) If the nil result is for so much of the combined period as precedes 9 July 2015—

(a) the time-apportioned percentage for the pre-alignment tax year is treated as being nil, and

(b) the time-apportioned percentage for the post-alignment tax year is treated as being 100.]

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#### Textual Amendments

**F643** S. 237ZA inserted (18.11.2015) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 9](#)

### [<sup>F644</sup>237A] **Liability of individual**

- (1) The individual is liable to the annual allowance charge.
- (2) The individual is liable to the annual allowance charge whether or not—
  - (a) the individual, and
  - (b) the scheme administrator of the pension scheme or pension schemes concerned,are resident<sup>F645</sup>... or domiciled in the United Kingdom.

#### Textual Amendments

**F644** Ss. 237A-237F inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 15](#)

**F645** Words in s. 237A(2) omitted (with effect in accordance with Sch. 46 para. 132 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 46 para. 128](#)

### **237B Liability of scheme administrator**

- (1) This section applies if—
  - (a) the amount of the individual's liability to the annual allowance charge for a tax year exceeds £2,000, and
  - (b) the pension scheme input amount in the case of the individual in relation to a registered pension scheme for the tax year exceeds the amount of the annual allowance specified in section 228(1) for the tax year.
- (2) The pension scheme input amount in the case of the individual in relation to a pension scheme for a tax year is the aggregate of the pension input amounts for the tax year in respect of arrangements relating to the individual under the pension scheme.  
[ If the chargeable amount for the tax year in the individual's case is the alternative<sup>F646</sup>(2A) chargeable amount, each of the following is treated as being a reference to the amount that the annual allowance charge for the tax year would be in the individual's case if the chargeable amount were the default chargeable amount—
  - (a) the reference in subsection (1)(a) to the amount of the individual's liability to the annual allowance charge for the tax year, and
  - (b) the reference in subsection (3) to the annual allowance charge arising in the case of the individual.]
- (3) The individual may give a notice to the scheme administrator of the pension scheme specifying that the individual and the scheme administrator are to be jointly and severally liable in respect of so much of the annual allowance charge arising in the case of the individual as—
  - (a) does not exceed the amount of the annual allowance charge which would be chargeable on the excess mentioned in subsection (1)(b) if it were charged at the relevant rate, and

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- (b) is specified in the notice,  
 (“the joint liability amount”).

(4) In subsection (3)(a) “the relevant rate” means—

- (a) in relation to so much of the excess as does not exceed the amount (if any) on which tax is chargeable in the case of the individual for the tax year at the additional rate <sup>F647</sup>... by virtue of paragraph (c) of subsection (4A) of section 227, the additional rate <sup>F648</sup>...
- (b) in relation to so much of the excess as is not within paragraph (a) and does not exceed the amount (if any) on which tax is so chargeable at the higher rate <sup>F649</sup>... by virtue of paragraph (b) of that subsection, the higher rate <sup>F650</sup>... , and
- (c) in relation to any remaining part of the excess, the basic rate <sup>F651</sup>...

[<sup>F652</sup>But subsection (4A) applies in the case of a Scottish taxpayer][<sup>F653</sup>and subsection (4B) applies in the case of a Welsh taxpayer].

[ In the case of a Scottish taxpayer, the “relevant rate” in subsection (3)(a) means—

- <sup>F654</sup>(4A) (a) where the only Scottish rate is the Scottish basic rate, that rate;
- (b) where there is more than one Scottish rate—
  - (i) the highest Scottish rate in relation to so much of the excess as does not exceed the amount (if any) on which tax is chargeable in the case of the individual at that rate by virtue of section 227(4AA)(b)(ii) or (iii),
  - (ii) the next highest Scottish rate in relation to so much of the excess as is not within sub-paragraph (i) and does not exceed the amount (if any) on which tax is so chargeable by virtue of section 227(4AA)(b) (i), (ii) or (iii),
  - (iii) if there is one, the next highest Scottish rate in relation to so much of the excess as is not within sub-paragraph (i) or (ii) and does not exceed the amount (if any) on which tax is so chargeable by virtue of section 227(4AA)(b)(i), (ii) or (iii),

and so on.]

[ In the case of a Welsh taxpayer, the “relevant rate” in subsection (3)(a) means—

- <sup>F655</sup>(4B) (a) in relation to so much of the excess as does not exceed the amount (if any) on which tax is chargeable in the case of the individual for the tax year at the Welsh additional rate by virtue of paragraph (c) of subsection (4AB) of section 227, the Welsh additional rate,
- (b) in relation to so much of the excess as is not within paragraph (a) and does not exceed the amount (if any) on which tax is so chargeable at the Welsh higher rate by virtue of paragraph (b) of that subsection, the Welsh higher rate, and
- (c) in relation to the remaining part of the excess, the Welsh basic rate.]

(5) The notice—

- (a) must be given not later than 31 July in the year following that in which the tax year ends (but subject to subsection (6)),
- (b) must be made in such manner and form, and contain such particulars, as may be prescribed by regulations made by the Commissioners for Her Majesty's Revenue and Customs, and
- (c) may be amended by giving the scheme administrator notice in accordance with provision made by regulations made by the Commissioners for Her Majesty's Revenue and Customs but may not be revoked.

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- (6) [<sup>F656</sup>A notice may not be given after] the individual becomes actually entitled to all of the individual's benefits under the pension scheme<sup>F657</sup> ... or benefit crystallisation event 5, 5A or 5B occurs<sup>F657</sup> ... in relation to the individual and the pension scheme,<sup>F658</sup>....
- (7) On receipt by the scheme administrator of the notice the scheme administrator and the individual become jointly and severally liable to pay the joint liability amount, but subject to sections 237C and 237D and to any amendment made to the notice in accordance with regulations under subsection (5)(c).
- (8) The scheme administrator is liable under subsection (7) whether or not—
- (a) the individual, and
  - (b) the scheme administrator,
- are resident<sup>F659</sup> ... or domiciled in the United Kingdom.
- (9) Where (but for this subsection) a notice could be given to a scheme administrator of a pension scheme but, before it is given, there is a transfer of all of the sums or assets—
- (a) held for the purposes of, or
  - (b) representing accrued rights under,
- [<sup>F660</sup>arrangements relating to the individual under the pension scheme] so as to become held for the purposes of, or to represent rights under, another registered pension scheme, the notice may not be given to that scheme administrator but may instead be given to the scheme administrator of that other pension scheme.
- (10) The Treasury may by regulations make provision modifying the operation of this section in other cases in which there is a transfer of any of the sums or assets—
- (a) held for the purposes of, or
  - (b) representing accrued rights under,
- the pension scheme so as to become held for the purposes of, or to represent rights under, another registered pension scheme.
- (11) The Treasury may by order amend paragraph (a) of subsection (1) so as to increase the sum for the time being specified in that paragraph.

#### Textual Amendments

- F644** Ss. 237A-237F inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 15](#)
- F646** S. 237B(2A) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 68](#)
- F647** Words in s. 237B(4)(a) omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), [regs. 1\(1\), 5\(2\)\(a\)\(i\)](#)
- F648** Words in s. 237B(4)(a) omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), [regs. 1\(1\), 5\(2\)\(a\)\(ii\)](#)
- F649** Words in s. 237B(4)(b) omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), [regs. 1\(1\), 5\(2\)\(b\)\(i\)](#)
- F650** Words in s. 237B(4)(b) omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), [regs. 1\(1\), 5\(2\)\(b\)\(ii\)](#)

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- F651** Words in s. 237B(4)(c) omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), **5(2)(c)**
- F652** Words in s. 237B(4) inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), **5(3)**
- F653** Words in s. 237B(4) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **8(2)**
- F654** S. 237B(4A) inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), **5(4)**
- F655** S. 237B(4B) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **8(3)**
- F656** Words in s. 237B(6) substituted (with effect in accordance with art. 8 of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **17(a)(i)**
- F657** Words in s. 237B(6) omitted (with effect in accordance with art. 8 of the amending S.I.) by virtue of [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **17(a)(ii)**
- F658** Words in s. 237B(6) omitted (with effect in accordance with art. 8 of the amending S.I.) by virtue of [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **17(a)(iii)**
- F659** Words in s. 237B(8) omitted (with effect in accordance with Sch. 46 para. 132 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), **Sch. 46 para. 129**
- F660** Words in s. 237B(9) substituted (with effect in accordance with art. 9 of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **17(b)**

**Modifications etc. (not altering text)**

- C130** S. 237B(5)(a) applied (with modifications) (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 32**

## 237C Exceptions

- (1) The scheme administrator of a pension scheme does not become liable under section 237B if the time when the scheme administrator would become liable is during an assessment period in relation to the pension scheme; and if an assessment period in relation to a pension scheme begins at a time when the scheme administrator is already so liable (but has not satisfied the liability), the liability ceases when the assessment period begins.

References to an assessment period are to be construed in accordance with sections 132 and 159 of the Pensions Act 2004 and articles 116 and 143 of the Pensions (Northern Ireland) Order 2005 (S.I. 2005/255 (N.I. 1)).

- (2) The scheme administrator of a pension scheme is not liable under section 237B in respect of any amount if there is no power to make a consequential adjustment to the entitlement of the individual concerned to benefits under the pension scheme in respect of the amount because of section 237E(2) (inalienability of guaranteed minimum pension etc).
- (3) The Treasury may by regulations prescribe other circumstances in which a scheme administrator of a pension scheme does not become, or ceases to be, liable under section 237B.



*Status: Point in time view as at 06/04/2021.*

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#### Textual Amendments

**F644** Ss. 237A-237F inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 15](#)

### **237D Discharge of scheme administrator's liability**

- (1) If the scheme administrator of a pension scheme is liable under section 237B, the scheme administrator may apply to an officer of Revenue and Customs for the discharge of the scheme administrator's liability on either of the following grounds.
- (2) The grounds are—
  - (a) that paying the amount to which the scheme administrator is liable would be to the substantial detriment of the interests of the members of the pension scheme, and
  - (b) that in all the circumstances of the case it would not be just and reasonable for the scheme administrator to be liable to that amount.
- (3) On receiving an application under subsection (1), an officer of Revenue and Customs must decide whether to discharge the scheme administrator's liability.
- (4) An officer of Revenue and Customs must notify the scheme administrator of the decision on the application.
- (5) The discharge of the scheme administrator's liability does not affect the liability of any other person in respect of the same amount.
- (6) The Treasury may by regulations amend this section so as to alter the grounds on which an application under subsection (1) may be made.
- (7) Regulations made by the Commissioners for Her Majesty's Revenue and Customs may make provision supplementing this section; and the regulations may in particular make provision as to the time limits for the making of an application.

#### Textual Amendments

**F644** Ss. 237A-237F inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 15](#)

### **237E Consequential benefit adjustments to be reasonable etc**

- (1) Where the scheme administrator of a pension scheme satisfies a liability under section 237B in respect of the individual, consequential adjustment must be made to the entitlement of the individual to benefits under the pension scheme on a basis that is just and reasonable having regard to normal actuarial practice.
- (2) Any power to make such consequential adjustment is subject to section 159 of the Pension Schemes Act 1993 or section 155 of the Pension Schemes (Northern Ireland) Act 1993 (inalienability of guaranteed minimum pension etc).

*Status: Point in time view as at 06/04/2021.*

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#### Textual Amendments

**F644** Ss. 237A-237F inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 15](#)

### 237F Power to modify rules

The Commissioners for Her Majesty's Revenue and Customs may by regulations make any modification of the rules of registered pension schemes that appear appropriate to facilitate the operation of sections 237A to 237E.]

#### Textual Amendments

**F644** Ss. 237A-237F inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 15](#)

### 238 Pension input period [<sup>F661</sup>: arrangement commencing before 9 July 2015]

- (1) In the case of an arrangement under a registered pension scheme [<sup>F662</sup>where the relevant commencement date is before 9 July 2015, but subject to section 238ZA,] the following are pension input periods—
- (a) the period beginning with the relevant commencement date and ending with [<sup>F663</sup>—
    - (i) a nominated date falling before the anniversary of the relevant commencement date, or
    - (ii) if there is not such a nominated date, the first 5 April after the relevant commencement date (or, if the relevant commencement date is itself 5 April, that date), and]
  - (b) each subsequent period beginning immediately after the end of a period which is a pension input period (under paragraph (a) or this paragraph) and ending with the appropriate date.
- (2) “The relevant commencement date” means—
- (a) in the case of a cash balance arrangement or a defined benefits arrangement, or a hybrid arrangement the only benefits under which may be cash balance benefits or defined benefits, the date on which rights under the arrangement begin to accrue to or in respect of the individual,
  - (b) in the case of a money purchase arrangement other than a cash balance arrangement, the first date on which a contribution within section 233(1) is made, and
  - (c) in the case of a hybrid arrangement not within paragraph (a), whichever is the earlier of the date mentioned in that paragraph and the date mentioned in paragraph (b).
- (3) “Nominated date” means—
- (a) in the case of a money purchase arrangement other than a cash balance arrangement, such date as the individual or scheme administrator nominates, and
  - (b) in the case of any other arrangement, such date as the scheme administrator nominates.

*Status: Point in time view as at 06/04/2021.*

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- (4) A nomination for the purposes of subsection (3)—
- (a) if by the individual, is to be made by notice to the scheme administrator, and
  - (b) if by the scheme administrator, is to be made by notice to the individual.
- [<sup>F664</sup>(4A) A date nominated for the purposes of subsection (3) must not be a date before that on which the nomination is made.]
- (5) If more than one date is nominated for the purposes of subsection (3)—
- (a) in relation to the period beginning with the relevant commencement date, or
  - (b) in relation to a tax year following that in which the pension input period beginning with that date ends,
- the date nominated first is the nominated date.
- (6) “The appropriate date” means <sup>F665</sup>...—
- (a) a nominated date falling in the tax year immediately after that in which the last pension input period ended, [<sup>F666</sup>or]
  - (b) [<sup>F667</sup>if there is not such a nominated date,] the anniversary of the date on which that period ended.
- (7) Once the individual has become entitled to all the benefits which may be provided to the individual under an arrangement, the last pension input period in the case of the arrangement is [<sup>F668</sup>that in which] that was first so.

#### Textual Amendments

- F661** Words in s. 238 title inserted (18.11.2015) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 2\(a\)](#)
- F662** Words in s. 238(1) inserted (18.11.2015) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 2\(b\)](#)
- F663** S. 238(1)(a)(i)(ii) substituted for words (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 16\(2\)](#)
- F664** S. 238(4A) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 16\(3\)](#)
- F665** Words in s. 238(6) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 16\(4\)\(a\)](#)
- F666** Word in s. 238(6) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 16\(4\)\(b\)](#)
- F667** Words in s. 238(6)(b) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 16\(4\)\(c\)](#)
- F668** Words in s. 238(7) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 16\(5\)](#)

#### Modifications etc. (not altering text)

- C131** S. 238(3) modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), [Sch. 3 Pt. 1](#)
- C132** S. 238(4) modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), [Sch. 3 Pt. 1](#)

#### Commencement Information

- I90** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

*Status: Point in time view as at 06/04/2021.*

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**[<sup>F669</sup>238ZA Pension input periods from 9 July 2015 for existing arrangement**

- (1) If the relevant commencement date in the case of an arrangement under a registered pension scheme is before 9 July 2015, section 238(1) and (3) to (6) apply in relation to the arrangement subject to the following.
- (2) If a pension input period for the arrangement—
  - (a) begins with 8 July 2015 or an earlier day, and
  - (b) but for this subsection would end with 9 July 2015 or a later day, it ends with 8 July 2015.
- (3) If a pension input period for the arrangement ends with 8 July 2015 (whether or not because of subsection (2)), the subsequent pension input periods for the arrangement are—
  - (a) the period beginning with 9 July 2015 and ending with 5 April 2016, and
  - (b) the tax year 2016-17 and each subsequent tax year.
- (4) No nominations for the purposes of section 238(3) may be made on or after 9 July 2015.
- (5) “The relevant commencement date” has the meaning given by section 238(2).

**Textual Amendments**

**F669** Ss. 238ZA, 238ZB inserted (18.11.2015) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 3](#)

**238ZB Pension input periods for arrangement commencing after 8 July 2015**

- (1) In the case of an arrangement under a registered pension scheme where the relevant commencement date is 9 July 2015 or later, the following are pension input periods—
  - (a) the period beginning with the relevant commencement date and ending with the first 5 April after the relevant commencement date (or, if the relevant commencement date is itself 5 April, that date), and
  - (b) each tax year beginning after the end of that period.
- (2) “The relevant commencement date” has the meaning given by section 238(2).
- (3) Once the individual has become entitled to all the benefits which may be provided to the individual under the arrangement, the last pension input period in the case of the arrangement is that in which that was first so.]

**Textual Amendments**

**F669** Ss. 238ZA, 238ZB inserted (18.11.2015) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 3](#)

**[<sup>F670</sup>238A Power to make orders about charge**

- (1) The Treasury may by order make provision about the annual allowance charge.
- (2) The provision may include modifications of any of sections 227 to 238.

*Status: Point in time view as at 06/04/2021.*

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- (3) The provision may include provision consequential on, or supplementary or incidental to, the provision made by those sections and transitional provisions (including provision making modifications of enactments).
- (4) “Modifications” includes amendments.]

#### Textual Amendments

**F670** S. 238A inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 17](#)

### *Scheme sanction charge*

#### **239 Scheme sanction charge**

- (1) A charge to income tax, to be known as the scheme sanction charge, arises where in any tax year one or more scheme chargeable payments are made by a registered pension scheme.
- (2) The person liable to the scheme sanction charge is the scheme administrator.
- (3) But<sup>F671</sup>—
  - (a) in the case of a payment treated by virtue of section 161(3) and (4) (payments under investments acquired with scheme assets) as having been made by a pension scheme which has been wound up, the person liable to the scheme sanction charge is the person who was, or each of the persons who were, the scheme administrator immediately before the pension scheme was wound up<sup>F672</sup>, and
  - (b) in the case of a payment of a lump sum to a member where the conditions in paragraphs 1(1)(b) and (d) and 1B(2)(a) to (g) of Schedule 29 are met, the person liable to the scheme sanction charge so far as relating to any part of the lump sum within the permitted maximum is the scheme administrator of the registered pension scheme to which the transfer mentioned in paragraph 1B(2)(g) of Schedule 29 is made.]
- <sup>F673</sup>(3A) For the purposes of subsection (3)(b) “the permitted maximum”, in the case of a lump sum paid to an individual, is the amount that in accordance with paragraph 2 of Schedule 29 would be the permitted maximum for that lump sum if the individual became entitled at the time the lump sum is paid to the pension at that time expected to be the pension in connection with which the lump sum is paid.]
- (4) A person liable to the scheme sanction charge is liable whether or not—
  - (a) that person, and
  - (b) any other person who is liable to the scheme sanction charge, are resident<sup>F674</sup> ... or domiciled in the United Kingdom.
- (5) The following sections make further provision about the scheme sanction charge—
  - section 240 (amount of charge), and
  - section 241 (scheme chargeable payment).
- <sup>F675</sup>(6) This section is subject to provision made by regulations under section 273ZA (income and gains from taxable property).]

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### Textual Amendments

- F671** Words in s. 239(3) inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 5 paras. 12\(1\)\(a\)](#), 15
- F672** S. 239(3)(b) and preceding word inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 5 paras. 12\(1\)\(b\)](#), 15
- F673** S. 239(3A) inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 5 paras. 12\(2\)](#), 15
- F674** Words in s. 239(4) omitted (with effect in accordance with Sch. 46 para. 132 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 46 para. 130](#)
- F675** S. 239(6) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 158(2), [Sch. 21 para. 8](#)

### Modifications etc. (not altering text)

- C133** S. 239 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), [Sch. 3 Pt. 1](#)
- C134** S. 239 modified by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), [art. 18](#) (as amended (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 5 paras. 12\(4\)\(5\)](#), 15)

### Commencement Information

- I91** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 240 Amount of charge

- (1) The scheme sanction charge for any tax year is a charge at the rate of 40% in respect of the scheme chargeable payment, or the aggregate of the scheme chargeable payments, made by the pension scheme in the tax year.
  - (2) But if—
    - (a) the scheme chargeable payment is an unauthorised payment, or any of the scheme chargeable payments are unauthorised payments, and
    - (b) tax charged in relation to that payment, or any of those payments, under section 208 (unauthorised payments charge) has been paid,
 a deduction is to be made from the amount of tax that would otherwise be chargeable for the tax year by virtue of subsection (1).
  - (3) The amount of the deduction is the lesser of—
    - (a) 25% of the amount of the scheme chargeable payment, or of the aggregate amount of such of the scheme chargeable payments as are tax-paid, and
    - (b) the amount of the tax which has been paid under section 208 in relation to the scheme chargeable payment, or in relation to such of the scheme chargeable payments as are tax-paid.
- [<sup>F676</sup>(3A) The Treasury—
- (a) may by order amend subsection (1) so as to vary the rate of the scheme sanction charge, and
  - (b) may by order amend subsection (3)(a) so as to vary the percentage mentioned there.
- (3B) An order under subsection (3A) may make provision for there to be different rates or percentages in different circumstances.]
- (4) A scheme chargeable payment is “tax-paid” if the whole or any part of the tax chargeable in relation to it under section 208 has been paid.

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### Textual Amendments

**F676** S. 240(3A)(3B) inserted (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 2 para. 16](#)

### Commencement Information

**I92** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 241 Scheme chargeable payment

- (1) In this Part “scheme chargeable payment”, in relation to a registered pension scheme, means—
- (a) an unauthorised payment by the pension scheme, other than one which is exempt from being scheme chargeable, and
  - <sup>F677</sup>(aa) .....
  - (b) a scheme chargeable payment which the pension scheme is to be treated as having made by section 183 or 185 (unauthorised borrowing)<sup>F678</sup>, and
  - (c) a scheme chargeable payment which the pension scheme is to be treated as having made by section 185A (income from taxable property) or 185F (gains from taxable property)].
- (2) An unauthorised payment is exempt from being scheme chargeable if—
- (a) it is treated as having been made by section 173 (use of scheme assets to provide benefits) and the asset used to provide the benefit in question is not a wasting asset,
  - (b) it is a compensation payment (see section 178),
  - (c) it is made to comply with an order of a court or of a person or body with power to order the making of the payment,
  - (d) it is made on the ground that a court or any such person or body is likely to order the making of the payment (or would be were it asked to do so), or
  - (e) it is of a description prescribed by regulations made by the Board of Inland Revenue.
- (3) “Wasting asset” has the same meaning as in section 44 of TCGA 1992.
- (4) Schedule 36 contains (in Part 3) transitional provision about scheme chargeable payments.

### Textual Amendments

**F677** S. 241(1)(aa) omitted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 74](#)

**F678** S. 241(1)(c) and word inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 158(2), [Sch. 21 para. 9](#)

### Commencement Information

**I93** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*Status: Point in time view as at 06/04/2021.*

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### *De-registration charge*

#### **242 De-registration charge**

- (1) A charge to income tax, to be known as the de-registration charge, arises where the registration of a registered pension scheme is withdrawn.
- (2) The liability to the de-registration charge is a liability of the person who was, or each of the persons who were, the scheme administrator immediately before the registration was withdrawn.
- (3) That person, or each of those persons, is liable to the de-registration charge whether or not—
  - (a) that person, and
  - (b) any other person who is liable to the de-registration charge,
 are resident<sup>F679</sup>... or domiciled in the United Kingdom.
- (4) The de-registration charge is a charge at the rate of 40% in respect of the aggregate of—
  - (a) the amount of any sums held for the purposes of the pension scheme immediately before it ceased to be a registered pension scheme, and
  - (b) the market value at that time of any assets held for the purposes of the pension scheme.
- [<sup>F680</sup>(5) The Treasury may by order amend subsection (4) so as to vary the rate of the de-registration charge.
- (6) An order under subsection (5) may make provision for there to be different rates in different circumstances.]

#### **Textual Amendments**

**F679** Words in s. 242(3) omitted (with effect in accordance with Sch. 46 para. 132 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 46 para. 131](#)

**F680** S. 242(5)(6) inserted (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 2 para. 17](#)

#### **Modifications etc. (not altering text)**

**C135** S. 242 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, 24

#### **Commencement Information**

**I94** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284



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## <sup>F681</sup> CHAPTER 5A

### REGISTERED PENSION SCHEMES ESTABLISHED OUTSIDE THE UNITED KINGDOM

#### Textual Amendments

**F681** Pt. 4 Ch. 5A inserted (with effect in accordance with Sch. 4 para. 25 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 4 para. 14](#)

#### 242A Meaning of “non-UK registered scheme”

In this Chapter “non-UK registered scheme” means a registered pension scheme established in a country or territory outside the United Kingdom.

#### 242B Meaning of “UK-relieved funds”

- (1) For the purposes of this Chapter, the “UK-relieved funds” of a non-UK registered scheme are sums or assets held for the purposes of, or representing accrued rights under, the scheme—
  - (a) that (directly or indirectly) represent sums or assets that at any time were held for the purposes of, or represented accrued rights under, a registered pension scheme established in the United Kingdom,
  - (b) that (directly or indirectly) represent sums or assets that at any time formed the UK tax-relieved fund under a relevant non-UK scheme of a relieved member of that scheme, or
  - (c) that—
    - (i) are held for the purposes of, or represent accrued rights under, an arrangement under the scheme relating to a member of the scheme who on any day has been an accruing member of the scheme, and
    - (ii) in accordance with regulations made by the Commissioners for Her Majesty's Revenue and Customs, are to be taken to have benefited from relief from tax.
- (2) In this Chapter “relevant contribution” has the meaning given by regulation 14ZB(8) of the Information Regulations.
- (3) Paragraphs (7) and (8) of regulation 14ZB of the Information Regulations (meaning of “accruing member”) apply for the purposes of this section as for those of that regulation.
- (4) “The Information Regulations” means the Registered Pension Schemes (Provision of Information) Regulations 2006 (S.I. 2006/567).

#### <sup>F682</sup> Application of this Part to non-UK registered schemes

- <sup>F682</sup> 242C
- (1) This Part (so far as would not otherwise be the case) is to be read—
    - (a) as applying in relation to UK-relieved funds of a non-UK registered scheme as it applies in relation to sums or assets held for the purposes of, or representing accrued rights under, a registered pension scheme established in the United Kingdom,

*Status: Point in time view as at 06/04/2021.*

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- (b) as applying in relation to a non-UK registered scheme, so far as the scheme relates to the scheme's UK-relieved funds, as it applies in relation to a registered pension scheme established in the United Kingdom,
  - (c) as applying in relation to members of a non-UK registered scheme, so far as their rights under the scheme are represented by UK-relieved funds of the scheme, as it applies in relation to members of a registered pension scheme established in the United Kingdom, and
  - (d) as applying to relevant contributions to a non-UK registered scheme as it applies in relation to contributions to a registered pension scheme established in the United Kingdom.
- (2) Subsection (1) has effect subject to, and in accordance with, the following provisions of this Chapter.
- (3) The Commissioners for Her Majesty's Revenue and Customs may by regulations make—
- (a) provision elucidating the application of, or supplementing, subsection (1) or other provisions of this Chapter, or
  - (b) where relief from tax is involved, other provision for or in connection with the application of this Part where the interpretative presumption against extra-territorial application means that it would otherwise not apply.
- (4) Regulations under subsection (3) may (in particular)—
- (a) amend provisions of or made under—
    - (i) this Part, or
    - (ii) any other enactment related to taxation in connection with pensions, and
  - (b) make consequential amendments of provisions of, or made under, any enactment.
- (5) See section 242B for the meaning of “UK-relieved funds” and “relevant contribution”.

#### **Textual Amendments**

**F682** Ss. 242C-242E inserted (with effect in accordance with Sch. 3 para. 1(2) of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 3 para. 1\(1\)](#)

### **242D Non-UK registered schemes: annual allowance charge**

- (1) This section is about the application of the provisions of this Part relating to the annual allowance charge.
- (2) Pension input amounts in respect of arrangements relating to an individual under a non-UK registered scheme are to be taken into account in applying the provisions for a tax year in relation to the individual only if, in accordance with regulations made by the Commissioners for Her Majesty's Revenue and Customs, relieved inputs are to be taken to have been made in respect of the individual under the scheme in the year.

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#### Textual Amendments

**F682** Ss. 242C-242E inserted (with effect in accordance with Sch. 3 para. 1(2) of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 3 para. 1\(1\)](#)

### 242E Investment-regulated non-UK registered schemes

For the purposes of the application of the taxable property provisions in relation to a non-UK registered scheme, property is taxable property in relation to the scheme if it would be taxable property in relation to the scheme were the scheme a registered pension scheme established in the United Kingdom.]]

#### Textual Amendments

**F682** Ss. 242C-242E inserted (with effect in accordance with Sch. 3 para. 1(2) of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 3 para. 1\(1\)](#)

## CHAPTER 6

### SCHEMES THAT ARE NOT REGISTERED PENSION SCHEMES

#### Modifications etc. (not altering text)

**C136** Pt. 4 Ch. 6 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, 25

#### *Non-UK schemes*

### 243 Overseas pension schemes: migrant member relief

Schedule 33 contains provision about migrant member relief in respect of contributions under overseas pension schemes.

#### Commencement Information

**I95** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### 244 Non-UK schemes: application of certain charges

Schedule 34 contains provision applying certain charges under this Part in relation to non-UK schemes.

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### Commencement Information

**I96** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### <sup>F683</sup> *Non-UK schemes: the overseas transfer charge*

### Textual Amendments

**F683** Ss. 244A-244N and cross-heading inserted (with effect in accordance with Sch. 4 para. 25 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 4 para. 11](#)

## 244A Overseas transfer charge

- (1) A charge to income tax, to be known as the overseas transfer charge, arises where—
  - (a) a recognised transfer is made to a QROPS, or
  - (b) an onward transfer is made during the relevant period for the original transfer, and the transfer is not excluded from the charge by or under any of sections 244B to 244H.
- (2) Sections 244B to 244H are subject to section 244I (circumstances in which exclusions do not apply).
- (3) In this group of sections, an “onward transfer” is a transfer of sums or assets held for the purposes of, or representing accrued rights under, an arrangement under a QROPS or former QROPS in relation to a member so as to become held for the purposes of, or to represent rights under, an arrangement under another QROPS in relation to that person as a member of that other QROPS.
- (4) In this group of sections “relevant period” means—
  - (a) in the case of a recognised transfer made on 6 April in any year, the 5 years beginning with the date of the transfer,
  - (b) in the case of any other recognised transfer, the period consisting of the combination of—
    - (i) the period beginning with the date of the transfer and ending immediately before the next 6 April, and
    - (ii) the 5 years beginning at the end of that initial period,
  - (c) in the case of an onward transfer, the period—
    - (i) beginning with the date of the transfer, and
    - (ii) ending at the end of the relevant period for the original transfer (see paragraphs (a) and (b) or, as the case may be, paragraphs (d) and (e)),
  - (d) in the case of a relevant transfer that—
    - (i) is made on 6 April in any year, and
    - (ii) is the original transfer for an onward transfer,
 the 5 years beginning with the date of the relevant transfer, and
  - (e) in the case of a relevant transfer that—
    - (i) is made otherwise than on 6 April in any year, and
    - (ii) is the original transfer for an onward transfer,

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the period consisting of the combination of: the period beginning with the date of the relevant transfer and ending immediately before the next 6 April; and the 5 years beginning at the end of that initial period.

- (5) In this group of sections “the original transfer”, in relation to an onward transfer, means (subject to subsection (6))—
- (a) the recognised transfer in respect of which the following conditions are met—
    - (i) it is from a registered pension scheme to a QROPS,
    - (ii) the sums and assets transferred by the onward transfer directly or indirectly derive from those transferred by it, and
    - (iii) it is more recent than any other recognised transfer in respect of which the conditions in sub-paragraphs (i) and (ii) are met, or
  - (b) where there is no such recognised transfer, the relevant transfer (see paragraph 1(6) of Schedule 34) in respect of which the following conditions are met—
    - (i) it is from a relevant non-UK scheme (see paragraph 1(5) of Schedule 34),
    - (ii) it is a transfer of the whole or part of the UK tax-relieved fund (see paragraph 3 of Schedule 34) of a member of the scheme,
    - (iii) it is to a QROPS, and
    - (iv) the sums and assets transferred by the onward transfer directly or indirectly derive from those transferred by it.
- (6) Where apart from this subsection there would be different original transfers for different parts of an onward transfer, each such part of the onward transfer is to be treated as a separate onward transfer for the purposes of this group of sections.
- (7) In this section and sections 244B to 244N—
- “QROPS” means a qualifying recognised overseas pension scheme, and
  - “former QROPS” means a scheme that has at any time been a QROPS;
  - “ring-fenced transfer fund”, in relation to a QROPS or former QROPS, has the meaning given by paragraph 1 of Schedule 34;
  - “this group of sections” means this section and sections 244B to 244N.

#### **244B Exclusion: member and receiving scheme in same country**

- (1) A recognised transfer to a QROPS is excluded from the overseas transfer charge if during the relevant period—
- (a) the member is resident in the country or territory in which the QROPS is established, and
  - (b) there is no onward transfer—
    - (i) for which the recognised transfer is the original transfer, and
    - (ii) which is not excluded from the charge.
- (2) If the member is resident in that country or territory at the time of the transfer mentioned in subsection (1), it is to be assumed for the purposes of subsection (1) that the member will be resident in that country or territory during the relevant period; but if, at a time before the end of the relevant period, the transfer ceases to be excluded by subsection (1) otherwise than by reason of the member's death—
- (a) that assumption is from that time no longer to be made, and
  - (b) the charge on the transfer is treated as charged at that time.

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- (3) An onward transfer to a QROPS (“transfer A”) is excluded from the overseas transfer charge if during so much of the relevant period as is after the time of transfer A—
- (a) the member is resident in the country or territory in which the QROPS is established, and
  - (b) there is no subsequent onward transfer that—
    - (i) is of sums and assets which, in whole or part, directly or indirectly derive from those transferred by transfer A, and
    - (ii) is not excluded from the charge.
- (4) If the member is resident in that country or territory at the time of transfer A, it is to be assumed for the purposes of subsection (3) that the member will be resident in that country or territory during so much of the relevant period as is after the time of transfer A; but if, at a time before the end of the relevant period, the transfer ceases to be excluded by subsection (3) otherwise than by reason of the member's death—
- (a) that assumption is from that time no longer to be made, and
  - (b) the charge on transfer A is treated as charged at that time.

**244C Exclusion: [F684 receiving scheme in EEA state [F685 or Gibraltar], and member resident in UK or EEA state]**

- (1) This section applies to a transfer to a QROPS established in an EEA state [F686 or Gibraltar].
- (2) If the transfer is a recognised transfer, the transfer is excluded from the overseas transfer charge if during the relevant period—
- (a) the member is resident in [F687 a relevant territory] (whether or not the [F688 same relevant territory] throughout that period), and
  - (b) there is no onward transfer—
    - (i) for which the recognised transfer is the original transfer, and
    - (ii) which is not excluded from the charge.
- (3) If the member is resident in [F687 a relevant territory] at the time of the recognised transfer mentioned in subsection (2), it is to be assumed for the purposes of this section that the member will be resident in [F687 a relevant territory] during the relevant period; but if, at a time before the end of the relevant period, the transfer ceases to be excluded by subsection (2) otherwise than by reason of the member's death—
- (a) that assumption is from that time no longer to be made, and
  - (b) the charge on the transfer is treated as charged at that time.
- (4) If the transfer is an onward transfer (“transfer B”), the transfer is excluded from the overseas transfer charge if during so much of the relevant period as is after the time of the onward transfer—
- (a) the member is resident in [F687 a relevant territory] (whether or not the [F689 same relevant territory] at all those times), and
  - (b) there is no subsequent onward transfer that—
    - (i) is of sums and assets which, in whole or part, directly or indirectly derive from those transferred by transfer B, and
    - (ii) is not excluded from the charge.
- (5) If the member is resident in [F687 a relevant territory] at the time of transfer B, it is to be assumed for the purposes of subsection (4) that the member will be resident in

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[<sup>F687</sup>a relevant territory] during so much of the relevant period as is after the time of transfer B; but if, at a time before the end of the relevant period, the transfer ceases to be excluded by subsection (4) otherwise than by reason of the member's death—

- (a) that assumption is from that time no longer to be made, and
- (b) the charge on transfer B is treated as charged at that time.

[<sup>F690</sup>(6) In this section “relevant territory” means the United Kingdom or an EEA state.]

#### Textual Amendments

- F684** Words in s. 244C heading substituted (31.12.2020) by [The Taxes \(Amendments\) \(EU Exit\) Regulations 2019 \(S.I. 2019/689\)](#), regs. 1, **12(2)(a)** (with regs. 39-41); 2020 c. 1, Sch. 5 para. 1(1)
- F685** Words in s. 244C heading inserted (18.2.2021 with effect from IP completion day) by [The Pension Schemes \(Qualifying Recognised Overseas Pension Schemes\) \(Gibraltar\) \(Exclusion of Overseas Transfer Charge\) Regulations 2021 \(S.I. 2021/89\)](#), regs. 1, **2(2)(a)**
- F686** Words in s. 244C(1) inserted (18.2.2021 with effect from IP completion day) by [The Pension Schemes \(Qualifying Recognised Overseas Pension Schemes\) \(Gibraltar\) \(Exclusion of Overseas Transfer Charge\) Regulations 2021 \(S.I. 2021/89\)](#), regs. 1, **2(2)(b)**
- F687** Words in s. 244C(2)-(5) substituted (31.12.2020) by [The Taxes \(Amendments\) \(EU Exit\) Regulations 2019 \(S.I. 2019/689\)](#), regs. 1, **12(2)(b)** (with regs. 39-41); 2020 c. 1, Sch. 5 para. 1(1)
- F688** Words in s. 244C(2) substituted (31.12.2020) by [The Taxes \(Amendments\) \(EU Exit\) Regulations 2019 \(S.I. 2019/689\)](#), regs. 1, **12(2)(c)** (with regs. 39-41); 2020 c. 1, Sch. 5 para. 1(1)
- F689** Words in s. 244C(4) substituted (31.12.2020) by [The Taxes \(Amendments\) \(EU Exit\) Regulations 2019 \(S.I. 2019/689\)](#), regs. 1, **12(2)(c)** (with regs. 39-41); 2020 c. 1, Sch. 5 para. 1(1)
- F690** S. 244C(6) inserted (31.12.2020) by [The Taxes \(Amendments\) \(EU Exit\) Regulations 2019 \(S.I. 2019/689\)](#), regs. 1, **12(2)(d)** (with regs. 39-41); 2020 c. 1, Sch. 5 para. 1(1)

#### **244D Exclusion: receiving scheme is an occupational pension scheme**

A transfer to a QROPS is excluded from the overseas transfer charge if—

- (a) the QROPS is an occupational pension scheme, and
- (b) when the transfer is made, the member is an employee of a sponsoring employer of the QROPS.

#### **244E Exclusion: receiving scheme set up by international organisation**

- (1) A transfer to a QROPS is excluded from the overseas transfer charge if—
  - (a) the QROPS is established by an international organisation and has effect so as to provide benefits for, or in respect of, past service as an employee of the organisation, and
  - (b) when the transfer is made, the member is an employee of the organisation.
- (2) In this section “international organisation” means an organisation to which section 1 of the International Organisations Act 1968 applies by virtue of an Order in Council under subsection (1) of that section.

#### **244F Exclusion: receiving scheme is an overseas public service scheme**

- (1) A transfer to a QROPS is excluded from the overseas transfer charge if—
  - (a) the QROPS is an overseas public service pension scheme, and

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- (b) when the transfer is made, the member is an employee of an employer that participates in the scheme.
- (2) A QROPS is an “overseas public service pension scheme” for the purposes of this section if—
- (a) either—
    - (i) it is established by or under the law of the country or territory in which it is established, or
    - (ii) it is approved by the government of that country or territory, and
  - (b) it is established solely for the purpose of providing benefits to individuals for or in respect of services rendered to—
    - (i) that country or territory, or
    - (ii) any political subdivision or local authority of that country or territory.
- (3) For the purposes of this section, an employer participates in a QROPS that is an overseas public service pension scheme if the scheme has effect so as to provide benefits to or in respect of any or all of the employees of the employer in respect of their employment by the employer.

#### **244G Exclusions: avoidance of double charge, and transitional protections**

- (1) A recognised transfer to a QROPS is excluded from the overseas transfer charge if it is made in execution of a request made before 9 March 2017.
- (2) An onward transfer (“the current onward transfer”) is excluded from the overseas transfer charge if—
- (a) the charge has been paid on the original transfer and the amount paid is not repayable, or
  - (b) the charge has been paid on an onward transfer (“the earlier onward transfer”) in respect of which the conditions in subsection (4) are met and the amount paid is not repayable, or
  - (c) the original transfer was made before 9 March 2017, or
  - (d) the original transfer was made on or after 9 March 2017 in execution of a request made before 9 March 2017.
- (3) An onward transfer is excluded from the overseas transfer charge so far as the transfer is made otherwise than out of the member's ring-fenced transfer funds under the scheme from which the onward transfer is made.
- (4) The conditions mentioned in subsection (2)(b) are—
- (a) that the earlier onward transfer was made before the current onward transfer,
  - (b) that the earlier onward transfer was made after the original transfer, and
  - (c) that all the sums and assets transferred by the current onward transfer directly or indirectly derive from those transferred by the earlier onward transfer.

#### **244H Power to provide for further exclusions**

The Commissioners for Her Majesty's Revenue and Customs may by regulations make provision for a recognised transfer to a QROPS, or an onward transfer, to be excluded from the overseas transfer charge if the transfer is of a description specified in the regulations.



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#### **244I Circumstances in which exclusions do not apply**

- (1) Subsection (2) applies if a recognised transfer to a QROPS, or an onward transfer, would (but for this section) be excluded from the overseas transfer charge by any of sections 244B to 244F.
- (2) The transfer is not excluded from the charge if the member has, in connection with the transfer, failed to comply with the relevant information regulation.
- (3) In subsection (2) “the relevant information regulation” means whichever of the following is applicable—
  - (a) regulation 11BA of the Registered Pension Schemes (Provision of Information) Regulations 2006 (S.I. 2006/567), or any regulation having effect in place of any of that regulation, as (in either case) from time to time amended, and
  - (b) regulation 3AE of the Pension Schemes (Information Requirements for Qualifying Overseas Pension Schemes, Qualifying Recognised Overseas Pension Schemes and Corresponding Relief) Regulations 2006 (S.I. 2006/208), or any regulation having effect in place of any of that regulation, as (in either case) from time to time amended.

#### **244J Persons liable to charge**

- (1) In the case of a recognised transfer to a QROPS, the persons liable to the overseas transfer charge are—
  - (a) the scheme administrator of the registered pension scheme from which the transfer is made, and
  - (b) the member,and their liability is joint and several.
- (2) In the case of an onward transfer, the persons liable to the overseas transfer charge are—
  - (a) the scheme manager of the QROPS, or former QROPS, from which the transfer is made, and
  - (b) the member,and their liability is joint and several.
- (3) Subsections (1) and (2) are subject to subsection (4), and subsections (2) and (4) are subject to subsection (5).
- (4) If a transfer is one required by section 244B or 244C to be initially assumed to be excluded by that section but an event occurring before the end of the relevant period means that the transfer is not so excluded, the persons liable to the overseas transfer charge in the case of the transfer are—
  - (a) the scheme manager of any QROPS, or former QROPS, under which the member has, at the time of the event, ring-fenced transfer funds in which any of the sums and assets referred to in section 244K(6) in the case of the transfer are represented, and
  - (b) the member,and their liability is joint and several.
- (5) The scheme manager of a former QROPS is liable to the overseas transfer charge in the case of a transfer (“the transfer concerned”) only if the former QROPS—

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- (a) was a QROPS when a relevant inward transfer was made, and
- (b) where a relevant inward transfer was made before 9 March 2017, was a QROPS at the start of 9 March 2017;

and here “relevant inward transfer” means a recognised or onwards transfer to the former QROPS (at a time when it was a QROPS) of sums and assets which, to any extent, are represented by sums or assets transferred by the transfer concerned.

- (6) A person is liable to the overseas transfer charge whether or not—
  - (a) that person, and
  - (b) any other person who is liable to the charge,
 are resident or domiciled in the United Kingdom.

#### **244K Amount of charge**

- (1) Where the overseas transfer charge arises in the case of a transfer, the charge is 25% of the transferred value.
- (2) If the transfer is from a registered pension scheme established in the United Kingdom, the transferred value is the total of—
  - (a) the amount of any sums transferred, and
  - (b) the value of any assets transferred,
 but this is subject to subsections (5) to (9).
- (3) If the transfer is from a registered pension scheme established in a country or territory outside the United Kingdom, the transferred value is the total of—
  - (a) the amount of any sums transferred that are attributable to UK-relieved funds of the scheme, and
  - (b) the value of any assets transferred that are attributable to UK-relieved funds of the scheme,
 but this is subject to subsections (5) to (9).
- (4) If the transfer is from a QROPS or former QROPS, the transferred value is the total of—
  - (a) the amount of any sums transferred that are attributable to the member's ring-fenced transfer funds under the scheme, and
  - (b) the value of any assets transferred that are attributable to the member's ring-fenced transfer funds under the scheme,
 but this is subject to subsections (5) to (9).
- (5) If the lifetime allowance charge arises in the case of the transfer and is to be deducted from the transfer, paragraphs (a) and (b) of subsections (2) to (4) are to be read as referring to what is to be transferred after deduction of the lifetime allowance charge.
- (6) If the transfer is one initially assumed to be excluded by section 244B or 244C but an event occurring before the end of the relevant period means that the transfer is not so excluded, the sums and assets mentioned in whichever of subsections (2) to (4) is applicable include only those that at the time of the event are represented in any of the member's ring-fenced transfer funds under any QROPS or former QROPS.
- (7) If the operator pays the charge on the transfer and does so—
  - (a) otherwise than by deduction from the transfer, and

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- (b) out of sums and assets held for the purposes of, or representing accrued rights under, the scheme from which the transfer is made,  
the transferred value is the amount given by subsections (2) to (6) grossed up by reference to the rate specified in subsection (1).
- (8) If the operator pays the charge on the transfer and does so by deduction from the transfer, the transferred value is the amount given by subsections (2) to (6) before the deduction.
- (9) If the member pays the charge on the transfer, the transferred value is the amount given by subsections (2) to (6) without any deduction for the charge.
- (10) The provisions of this Part relating to the lifetime allowance charge apply (whether or not in relation to the transfer) as if the overseas transfer charge did not arise in the case of the transfer.
- (11) In this section—
  - “the operator” means—
    - (a) the scheme administrator of the scheme from which the transfer is to be made if that scheme is a registered pension scheme, or
    - (b) the scheme manager of the scheme from which the transfer is to be made if that scheme is a QROPS or former QROPS;
  - “UK-relieved funds”, in relation to a registered pension scheme established in a country or territory outside the United Kingdom, has the meaning given by section 242B.

#### **244L Accounting for overseas transfer charge by scheme managers**

- (1) In this section “charge” means overseas transfer charge for which the scheme manager of a QROPS or former QROPS is liable.
- (2) The Commissioners for Her Majesty's Revenue and Customs may by regulations make provision for or in connection with—
  - (a) the payment of charge, including due dates for payment,
  - (b) the charging of interest on charge not paid on or before its due date,
  - (c) notification by the scheme manager of errors in information provided by the scheme manager to the Commissioners in connection with charge or the scheme manager's liability for overseas transfer charge,
  - (d) repayments to scheme managers under section 244M of amounts paid by way of charge, and
  - (e) the making of assessments, repayments or adjustments in cases where the correct amount of charge has not been paid by the due date for payment of the charge.
- (3) The regulations may, in particular—
  - (a) modify the operation of any provision of the Tax Acts, or
  - (b) provide for the application of any provision of the Tax Acts (with or without modification).

#### **244M Repayments of charge on subsequent excluding events**

- (1) This section applies if—

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- (a) overseas transfer charge arose on a transfer at the time the transfer was made, and
  - (b) at a time during the relevant period for the transfer, circumstances arise such that, had those circumstances existed at the time the transfer was made, the transfer would at the time it was made have been excluded from the charge by sections 244B to 244F or under section 244H.
- (2) Any amount paid in respect of charge on the transfer is to be repaid by the Commissioners for Her Majesty's Revenue and Customs so far as not already repaid.
- (3) Subsection (2) does not give rise to entitlement to repayment of, or cancellation of liabilities to, interest or penalties in respect of late payment of charge on the transfer.
- (4) Repayment under this section to the scheme administrator of a registered pension scheme, or the scheme manager of a QROPS or former QROPS, is conditional on prior compliance with any requirements to give information to the Commissioners, about the circumstances in which the right to the repayment arises, that are imposed on the prospective recipient under section 169 or 251 (but repayment is not conditional on compliance with any time limits so imposed for compliance with any such requirements).
- (5) Repayment under this section is not a relievable pension contribution.
- (6) Repayment under this section to the member is conditional on making a claim, and such a claim must be made no later than one year after the end of the relevant period for the transfer concerned.
- (7) The Commissioners for Her Majesty's Revenue and Customs may by regulations make provision for or in connection with claims or repayments under this section, including provision—
- (a) requiring claims,
  - (b) about who may claim,
  - (c) imposing conditions for making claims, including conditions about time limits,
  - (d) as to additional circumstances in which repayments may be made,
  - (e) modifying the operation of any provision of the Tax Acts, or
  - (f) applying any provision of the Tax Acts (with or without modifications).

#### **244N Discharge of liability of scheme administrator or manager**

- (1) In this section “operator” means—
- (a) the scheme administrator of a registered pension scheme, or
  - (b) the scheme manager of a QROPS or former QROPS.
- (2) If an operator is liable under section 244J, the operator may apply to an officer of Revenue and Customs for the discharge of the operator's liability on the following ground.
- (3) The ground is that—
- (a) the operator reasonably believed that there was no liability to the overseas transfer charge on the transfer concerned, and
  - (b) in all the circumstances of the case, it would not be just and reasonable for the operator to be liable to the charge on the transfer.

*Status: Point in time view as at 06/04/2021.*

*Changes to legislation: Finance Act 2004 is up to date with all changes known to be in force on or before 09 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

- (4) On receiving an application under subsection (2), an officer of Revenue and Customs must decide whether to discharge the operator's liability.
- (5) An officer of Revenue and Customs must notify the operator of the decision on the application.
- (6) The discharge of the operator's liability does not affect the liability of any other person to overseas transfer charge on the transfer concerned.
- (7) The Commissioners for Her Majesty's Revenue and Customs may by regulations make provision supplementing this section, including provision for time limits for making an application under this section.]

### *Employer-financed retirement benefit schemes*

## **245 Restriction of deduction for contributions by employer**

- (1) Schedule 24 to the Finance Act 2003 (c. 14) (restriction of deductions for employee benefit contributions) is amended as follows.

<sup>F691</sup>(2) .....

- (3) In sub-paragraph (1) of paragraph 2 (“qualifying benefits”), insert at the end “or  
(c) is made under an employer-financed retirement benefits scheme.”
- (4) In sub-paragraph (5) of that paragraph (when qualifying benefit treated as provided), after “payment of money” insert “otherwise than under an employer-financed retirement benefits scheme”.
- (5) In paragraph 8 (deductions to which Schedule does not apply), for paragraphs (b) and (c) substitute—
  - “(b) in respect of contributions under a registered pension scheme or a section 615(3) scheme,
  - (c) in respect of contributions under a qualifying overseas pension scheme in respect of an individual who is a relevant migrant member of the pension scheme in relation to the contributions.”.
- (6) In sub-paragraph (1) of paragraph 9 (interpretation), in the definition of “employee benefit scheme”, after “include,” insert “present or former”.
- (7) In that sub-paragraph, after the definition of “the employer” insert—

““employer-financed retirement benefits scheme” has the same meaning as in Chapter 2 of Part 6 of the Income Tax (Earnings and Pensions) Act 2003 (see section 393A of that Act);”.
- (8) In that sub-paragraph, after the definition of “qualifying expenses” insert—

““qualifying overseas pension scheme” has the same meaning as in Schedule 33 to the Finance Act 2004 (see paragraphs 5 and 6 of that Schedule);

“registered pension scheme” has the same meaning as in Part 4 of that Act (see section 150 of that Act);

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“relevant migrant member” has the same meaning as in Schedule 33 to that Act (see paragraph 4 of that Schedule);

“section 615(3) scheme” means a superannuation fund to which section 615(3) of the Taxes Act 1988 applies;”.

#### Textual Amendments

**F691** S. 245(2) repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 2\(5\)](#)

#### Modifications etc. (not altering text)

**C137** S. 245 modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), [15](#), [16](#)

#### Commencement Information

**I97** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 246 Restriction of deduction for non-contributory provision

- (1) This section applies in relation to an employer’s expenses of providing benefits to or in respect of present or former employees under an employer-financed retirement benefits scheme in a case where—
  - (a) the expenses do not consist of the making of contributions under the scheme, but
  - (b) in accordance with generally accepted accounting practice they are shown in the employer’s accounts.
- (2) Unless the benefits are ones in respect of which a person is, on receipt, chargeable to income tax, the expenses—
  - (a) are not deductible in computing the amount of the profits of the employer for the purposes of <sup>F692</sup>Part 2 of ITTOIA 2005<sup>F693</sup> or Part 3 of CTA 2009 (trading income),
  - (b) are not expenses of management of the employer for the purposes of <sup>F694</sup>Chapter 2 of Part 16 of CTA 2009 (expenses of management: companies with investment business), and
  - <sup>F695</sup>(c) are not to count as ordinary BLAGAB management expenses of the employer for an accounting period for the purposes of section 76 of FA 2012.]
- (3) But where the benefits are ones in respect of which a person is, on receipt, chargeable to income tax—
  - (a) if the expenses are allowed to be deducted in computing the amount of the profits of the employer to be charged under <sup>F696</sup>Part 2 of ITTOIA 2005<sup>F697</sup> or Part 3 of CTA 2009 (trading income),] they are deductible in computing the amount of the profits for the period of account in which they are paid, and
  - (b) for the purposes of the operation <sup>F698</sup>in relation to the employer of <sup>F699</sup>section 76 of FA 2012] or Chapter 2 of Part 16 of CTA 2009,] the expenses are referable to the accounting period in which they are paid.
- (4) In this section “employer-financed retirement benefits scheme” has the same meaning as in Chapter 2 of Part 6 of ITEPA 2003 (see section 393A of that Act).

*Status: Point in time view as at 06/04/2021.*

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### Textual Amendments

- F692** Words in s. 246(2)(a) inserted (6.4.2006) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), [Sch. 1 para. 650\(2\)](#), [Sch. 2 para. 161](#) (with [Sch. 2](#))
- F693** Words in s. 246(2)(a) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 578\(2\)\(a\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F694** Words in s. 246(2)(b) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 578\(2\)\(b\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F695** S. 246(2)(c) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 120\(2\)](#)
- F696** Words in s. 246(3)(a) inserted (6.4.2006) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), [Sch. 1 para. 650\(3\)](#), [Sch. 2 para. 161](#) (with [Sch. 2](#))
- F697** Words in s. 246(3)(a) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 578\(3\)\(a\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F698** Words in s. 246(3)(b) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 578\(3\)\(b\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F699** Words in s. 246(3)(b) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 120\(3\)](#)

### Commencement Information

- I98** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## [<sup>F700</sup>246A] Case where no relief for provision by an employer

- (1) An employer's expenses of providing relevant benefits to or in respect of a present or former employee (“the employee”) under an employer-financed retirement benefits scheme (whether or not by the making of contributions under the scheme) are not subject to relief if subsection (2) applies.
- (2) This subsection applies where—
  - (a) the provision of the relevant benefits results in a reduction in the benefits payable to or in respect of the employee under a registered pension scheme, or
  - (b) a reduction in the benefits payable to or in respect of the employee under a registered pension scheme results in the provision of the relevant benefits.
- (3) But if the extent to which contributions paid by the employer under the registered pension scheme in respect of the employee are subject to relief has been restricted in accordance with regulations under section 196A, the employer's expenses of providing the relevant benefits are not prevented from being subject to relief to the extent that is just and reasonable.
- (4) The references in this section to expenses of an employer being subject to relief are to—
  - (a) their being deductible in computing the amount of the profits of the employer for the purposes of Part 2 of ITTOIA 2005 [<sup>F701</sup>or Part 3 of CTA 2009 (trading income)],
  - (b) their being expenses of management of the employer for the purposes of [<sup>F702</sup>Chapter 2 of Part 16 of CTA 2009] (expenses of management: companies with investment business), or
  - (c) their being [<sup>F703</sup>ordinary BLAGAB management expenses of the employer for an accounting period for the purposes of section 76 of FA 2012 ],(depending on which is appropriate in relation to the employer).

*Status: Point in time view as at 06/04/2021.*

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(5) In this section—

“employer-financed retirement benefits scheme”, and  
 “relevant benefits”,

have the same meaning as in Chapter 2 of Part 6 of ITEPA 2003 (see sections 393A and 393B of that Act).]

#### Textual Amendments

- F700** S. 246A inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 40, 64\(1\)](#)
- F701** Words in s. 246A(4)(a) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), [s. 1329\(1\)](#), [Sch. 1 para. 579\(a\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F702** Words in s. 246A(4)(b) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), [s. 1329\(1\)](#), [Sch. 1 para. 579\(b\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F703** Words in s. 246A(4)(c) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 121](#)

### 247 Abolition of income tax charge in respect of employer payments

In Part 6 of ITEPA 2003, omit Chapter 1 (payments by employer for the provision of benefits for an employee under certain schemes to count as employment income of employee).

#### Commencement Information

- I99** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### 248 Employer’s cost of insuring against non-payment of benefit

- (1) Section 307 of ITEPA 2003 (no liability to income tax in respect of chargeable benefit on provision made by employer for a retirement or death benefit) is amended as follows.
- (2) After subsection (1) insert—
- “(1A) Subsection (1) does not apply to provision made for insuring against the risk that a retirement or death benefit under an employer-financed retirement benefits scheme cannot be paid or given because of the employer’s insolvency.
- (1B) In subsection (1A) “employer-financed retirement benefits scheme” has the same meaning as in Chapter 2 of Part 6 (see section 393A).”
- (3) In subsection (2), for “subsection (1)” substitute “this section”.

#### Commencement Information

- I100** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284



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## **249 Taxation of non-pension benefits**

- (1) Chapter 2 of Part 6 of ITEPA 2003 (taxation of non-pension benefits from certain pension schemes) is amended as follows.
- (2) In the heading of the Chapter, for “NON-APPROVED PENSION” substitute “EMPLOYER-FINANCED RETIREMENT BENEFITS”.
- (3) For section 393 substitute—

### **“393 Application of this Chapter**

- (1) This Chapter applies to relevant benefits provided under an employer-financed retirement benefits scheme.
- (2) Section 393A defines “employer-financed retirement benefits scheme” and section 393B defines “relevant benefits”.

### **393A Employer-financed retirement benefits scheme**

- (1) In this Chapter “employer-financed retirement benefits scheme” means a scheme for the provision of benefits consisting of or including relevant benefits to or in respect of employees or former employees of an employer.
- (2) But neither—
  - (a) a registered pension scheme, nor
  - (b) a section 615(3) scheme,is an employer-financed retirement benefits scheme.
- (3) “Section 615(3) scheme” means a superannuation fund to which section 615(3) of ICTA applies.
- (4) “Scheme” includes a deed, agreement, series of agreements, or other arrangements.

### **393B Relevant benefits**

- (1) In this Chapter “relevant benefits” means any lump sum, gratuity or other benefit (including a non-cash benefit) provided (or to be provided)—
  - (a) on or in anticipation of the retirement of an employee or former employee,
  - (b) on the death of an employee or former employee,
  - (c) after the retirement or death of an employee or former employee in connection with past service,
  - (d) on or in anticipation of, or in connection with, any change in the nature of service of an employee, or
  - (e) to any person by virtue of a pension sharing order or provision relating to an employee or former employee.
- (2) But—
  - (a) benefits charged to tax under Part 9 (pension income),

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- (b) benefits chargeable to tax by virtue of Schedule 34 to FA 2004 (which applies certain charges under Part 4 of that Act in relation to non-UK schemes), and
  - (c) excluded benefits,
- are not relevant benefits.
- (3) The following are “excluded benefits”—
- (a) benefits in respect of ill-health or disablement of an employee during service,
  - (b) benefits in respect of the death by accident of an employee during service,
  - (c) benefits under a relevant life policy, and
  - (d) benefits of any description prescribed by regulations made by the Board of Inland Revenue.
- (4) In subsection (3)(c) “relevant life policy” means—
- [<sup>F704</sup>(a) an excepted group life policy as defined in section 480 of ITTOIA 2005,]
  - (b) a policy of life insurance the terms of which provide for the payment of benefits on the death of a single individual and with respect to which [<sup>F705</sup>—
    - (i) condition A in section 481 of that Act would be met if paragraph (a) in that condition referred to the death, in any circumstances or except in specified circumstances, of that individual (rather than the death in any circumstances of each of the individuals insured under the policy) and if the condition did not include paragraph (b), and
    - (ii) conditions C and D in that section and conditions A and C in section 482 of that Act are met, or]
  - (c) a policy of life insurance that would be within paragraph (a) or (b) but for the fact that it provides for a benefit which is an excluded benefit under or by virtue of paragraph (a), (b) or (d) of subsection (3).
- (5) In subsection (1)(e) “pension sharing order or provision” means any such order or provision as is mentioned in section 28(1) of WRP(A) 1999 or Article 25(1) of WRP(NI)O 1999.”
- (4) Section 394 (charge on benefit) is amended as follows.
- (5) After subsection (1) insert—
- “(1A) Subsection (1) does not apply in relation to the benefit if the total amount of the benefits to which this Chapter applies received by the individual in the relevant tax year does not exceed £100.”
- (6) In subsection (2), for “administrator of” substitute “person who is (or persons who are) the responsible person in relation to”.
- (7) In subsection (3), for “subsections (1) and (2)” substitute “this section”.
- (8) For sections 395 to 397 substitute—

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### **“395 Reduction where employee has contributed**

- (1) This section applies in relation to a relevant benefit under an employer-financed retirement benefits scheme in the form of a lump sum where, under the scheme, an employee has paid any sum or sums by way of contribution to the provision of the lump sum.
  - (2) The amount which, by virtue of section 394, counts as employment income, or is chargeable to tax under [F706 subsection (2) of that section], is the amount of the lump sum reduced by the sum, or the aggregate of the sums, paid by the employee by way of contribution to the provision of the lump sum.
  - (3) A reduction under this section may not be claimed in respect of the same contribution in relation to more than one lump sum.
  - (4) It is to be assumed, unless the contrary is shown, that no reduction is applicable under this section.”
- (9) In subsection (1) of section 399 (valuation of benefit in form of loan), for “administrator of” substitute “person who is (or any of the persons who are) the responsible person in relation to”.
- (10) In subsection (2) of that section, for “administrator” substitute “responsible person”.
- (11) For section 400 substitute—

### **“399A Responsible person**

- (1) The following heads specify the person who is, or persons who are, the responsible person in relation to an employer-financed retirement benefits scheme for the purposes of this Chapter.
- (2) But if a person is, or persons are, the responsible person in relation to the scheme by virtue of being specified under one head, no-one is the responsible person in relation to the scheme by virtue of being specified under a later head.

#### *Head 1*

If there are one or more trustees of the scheme who are resident in the United Kingdom, that trustee or each of those trustees.

#### *Head 2*

If there are one or more persons who control the management of the scheme, that person or each of those persons.

#### *Head 3*

If alive or still in existence, the employer, or any of the employers, who established the scheme and any person by whom that employer, or any of those employers, has been directly or indirectly succeeded in relation to the provision of benefits under the scheme.

#### *Head 4*

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Any employer of employees to or in respect of whom benefits are, or are to be, provided under the scheme.

#### *Head 5*

If there are one or more trustees of the scheme who are not resident in the United Kingdom, that trustee or each of those trustees.

### **400 Interpretation**

In this Chapter—

“employer-financed retirement benefits scheme” has the meaning given by section 393A;

“relevant benefits” has the meaning given by section 393B; and

“responsible person” has the meaning given by section 399A.”

(12) In Part 2 of Schedule 1 to ITEPA 2003 (defined expressions), insert at the appropriate places—

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“employer-financed retirement benefits scheme (in Chapter 2 of Part 6)	section 393A”
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“relevant benefits (in Chapter 2 of Part 6)	section 393B”
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“responsible person (in Chapter 2 of Part 6)	section 399A”.
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#### **Textual Amendments**

**F704** Words in s. 249(3) substituted (6.4.2006) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), Sch. 1 para. 651\(2\)\(a\)](#), Sch. 2 para. 161 (with Sch. 2)

**F705** Words in s. 249(3) substituted (6.4.2006) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), Sch. 1 para. 651\(2\)\(b\)](#), Sch. 2 para. 161 (with Sch. 2)

**F706** Words in s. 249(8) substituted (6.4.2006) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), Sch. 1 para. 651\(3\)](#), Sch. 2 para. 161 (with Sch. 2)

#### **Commencement Information**

**I101** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

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## CHAPTER 7

### COMPLIANCE

#### *Information*

#### **250 Registered pension scheme return**

- (1) The Inland Revenue may, in relation to any tax year, by notice require the scheme administrator of a registered pension scheme—
  - (a) to make and deliver to the Inland Revenue a return containing any information reasonably required by the notice, and
  - (b) to deliver with the return any accounts, statements or other documents relating to information contained in the return which may reasonably be required by the notice.
- (2) The information that may be required to be included in the return is any information relating to—
  - (a) contributions made under the pension scheme,
  - (b) transfers of sums or assets held for the purposes of, or representing accrued rights under, another pension scheme so as to become held for the purposes of, or to represent rights under, the pension scheme,
  - (c) income and gains derived from investments or deposits held for the purposes of the pension scheme,
  - (d) other receipts of the pension scheme,
  - (e) the sums and other assets held for the purposes of the pension scheme,
  - (f) the liabilities of the pension scheme,
  - (g) the provision of benefits by the pension scheme,
  - (h) transfers of sums or assets held for the purposes of, or representing accrued rights under, the pension scheme so as to become held for the purposes of, or to represent rights under, another pension scheme,
  - (i) other expenditure of the pension scheme,
  - (j) the membership of the pension scheme, or
  - (k) any other matter relating to the administration of the pension scheme.
- (3) The information that may be required to be included in the return may be limited to information concerning any particular arrangement or arrangements under the pension scheme.
- (4) The notice must specify the period to be covered by the return.
- (5) The period may be—
  - (a) the whole or any specified part of the tax year, or
  - (b) if audited accounts of the pension scheme have been prepared for any period or periods ending in the tax year, the period or periods covered by the accounts.
- (6) “Audited accounts” means accounts audited by a person of a description specified in regulations made by the Board of Inland Revenue.
- (7) A return relating to the whole or part of, or to a period or periods ending in, a tax year must be delivered—

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- (a) where the notice requiring the return is given after the 31st October in the next tax year, before the end of the period of three months beginning with the day on which the notice is given, and
  - (b) otherwise, not later than the 31st January in the next tax year (but subject as follows).
- (8) If, in a case within paragraph (b) of subsection (7), the winding-up of the pension scheme has been completed before 31st October in the next tax year, the return must be delivered before the end of the period of three months beginning with the day on which the winding-up is completed.
- (9) But subsection (8) does not apply if the end of that period is before the end of the period of three months beginning with the day on which the notice is given; and in that case the return must be delivered before the end of that period.

**Modifications etc. (not altering text)**

**C138** S. 250(1) modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), **Sch. 3 Pt. 1**

**Commencement Information**

**I102** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

**251 Information: general requirements**

- (1) The Board of Inland Revenue may by regulations make provision requiring persons of a prescribed description—
- (a) to provide to the Inland Revenue, in a form specified by the Board of Inland Revenue, information of a prescribed description relating to any of the matters mentioned in subsection (2), and
  - (b) to preserve for a prescribed period any documents relating to such information.
- (2) Those matters are—
- (a) any matter relating to a registered pension scheme,
  - (b) any matter relating to a pension scheme which has ceased to be a registered pension scheme,
  - (c) any matter relating to a pension scheme in relation to which an application for registration has been made,
  - (d) any matter relating to an annuity purchased with sums or assets held for the purposes of a registered pension scheme,
  - (e) the coming into operation of an employer-financed retirement benefits scheme, and
  - (f) the provision of relevant benefits under an employer-financed retirement benefits scheme.
- (3) In subsection (2)—
- “employer-financed retirement benefits scheme”, and
  - “relevant benefits”,

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have the same meaning as in Chapter 2 of Part 6 of ITEPA 2003 (see sections 393A and 393B of that Act).

- (4) The Board of Inland Revenue may by regulations make provision—
- (a) requiring scheme administrators of registered pension schemes or other persons of a prescribed description to provide information of a prescribed description to persons of such of the descriptions mentioned in subsection (5) as are prescribed [F707 or to the scheme administrators of other registered pension schemes], F708 ...
  - (b) requiring persons of such of the descriptions specified in subsection (5) as are prescribed to provide information of a prescribed description to the scheme administrators of registered pension schemes,
  - [F709](ba) requiring, in a case where a payment (“the onwads payment”) is made directly or indirectly out of a sum on whose payment tax has been charged under section 206, the person making the onwads payment to provide information of a prescribed description to the person to whom the onwads payment is made,]
  - [F710](c) requiring scheme administrators of registered pension schemes to provide information of a prescribed description to scheme managers of qualifying recognised overseas pension schemes, or
  - (d) requiring members or former members of a relevant non-UK pension scheme to provide information to the scheme administrators, or scheme managers, of registered pension schemes or other relevant non-UK pension schemes.]
- (5) Those persons are—
- (a) members of a registered pension scheme,
  - [F711](aa) employers of members of a registered pension scheme,]
  - (b) persons who have ceased to be members of a registered pension scheme,
  - (c) persons to whom benefits under a registered pension scheme are being, or have been, provided,
  - (d) the personal representatives of any person within paragraphs (a) to (c), and
  - (e) insurance companies who pay annuities purchased with sums or assets held for the purposes of registered pension schemes.
- (6) “Prescribed”, in relation to regulations, means prescribed by the regulations[F712]; and “relevant non-UK scheme” has the meaning given by paragraph 1 of Schedule 34].

#### Textual Amendments

**F707** Words in s. 251(4)(a) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 47, 64\(1\)](#)

**F708** Word in s. 251(4)(a) omitted (17.12.2014) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 93\(2\)\(a\)](#)

**F709** S. 251(4)(ba) inserted (with effect in accordance with s. 21(10) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 21\(6\)](#)

**F710** S. 251(4)(c)(d) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 93\(2\)\(b\)](#)

**F711** S. 251(5)(aa) inserted (8.4.2010) by [Finance Act 2010 \(c. 13\)](#), [s. 49](#)

**F712** Words in s. 251(6) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 93\(3\)](#)

#### Commencement Information

**I103** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

*Status: Point in time view as at 06/04/2021.*

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### <sup>F713</sup> 252 Notices requiring documents or particulars

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#### **Textual Amendments**

**F713** S. 252 omitted (1.4.2010) by virtue of [The Finance Act 2009, Section 96 and Schedule 48 \(Appointed Day, Savings and Consequential Amendments\) Order 2009 \(S.I. 2009/3054\)](#), art. 1, **Sch. para. 13** (with art. 8)

### <sup>F714</sup> 253 Appeal against notices

.....

#### **Textual Amendments**

**F714** S. 253 omitted (1.4.2010) by virtue of [The Finance Act 2009, Section 96 and Schedule 48 \(Appointed Day, Savings and Consequential Amendments\) Order 2009 \(S.I. 2009/3054\)](#), art. 1, **Sch. para. 13** (with art. 8)

### *Accounting and assessment*

## 254 Accounting for tax by scheme administrators

- (1) A scheme administrator of a registered pension scheme must make returns to the Inland Revenue of the income tax to which the scheme administrator is liable under this Part.
- (2) A return is to be made for each period of three months ending with 31st March, 30th June, 30th September or 31st December if tax has been charged on the scheme administrator by virtue of this Part in that period.
- (3) A return for any period must be made before the end of the period of 45 days beginning with the day immediately following the end of that period.
- (4) A return must—
  - (a) show the income tax to which the scheme administrator is liable, and
  - (b) include such particulars of the events or other circumstances giving rise to the liability (including particulars as to the persons to whom the events or other circumstances relate) as are required to be included in returns under this section by regulations made by the Board of Inland Revenue.
- (5) The income tax required to be shown in a return is due at the time by which the return is to be made and is payable without the making of an assessment.
- (6) The Board of Inland Revenue may by regulations make provision for and in connection with—
  - (a) the charging of interest on tax due under this section which is not paid on or before the due date,
  - (b) the making of amended returns by scheme administrators in the event of error in a return under this section,



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- [<sup>F715</sup>(ba) repayments under section 244M to scheme administrators,]  
(c) the making of assessments, repayments or adjustments in cases where the correct tax due under this section has not been paid on or before the due date, and  
(d) otherwise for supplementing this section.
- (7) The regulations may, in particular—  
(a) modify the operation of any provision of the Tax Acts, or  
(b) provide for the application of any provision of the Tax Acts (with or without modifications).
- [<sup>F716</sup>(7A) Where a scheme administrator is liable under section 237B in respect of the annual allowance charge for a tax year, for the purposes of subsection (2) the tax is to be taken to be charged on the scheme administrator in the period ending with 31 December in the year following that in which that tax year ended (or such earlier period as the scheme administrator may elect in a return for that earlier period).
- (7B) But if the notice which gave rise to the liability is amended in accordance with regulations under section 237B(5)(c), any additional tax to which the scheme administrator becomes liable is to be taken for the purposes of subsection (2) to be charged in the later of the period in which it is taken to be charged by virtue of subsection (7A) and the period in which the scheme administrator receives notice of the amendment.]
- (8) References in this section to the income tax to which a scheme administrator is liable under this Part do not include any to which the scheme administrator is liable under section 239 (scheme sanction charge).
- (9) Where the registration of a registered pension scheme has been withdrawn, this section has effect as if references to the scheme administrator were to the person who was, or each of the persons who were, the scheme administrator immediately before the registration was withdrawn.

#### Textual Amendments

**F715** S. 254(6)(ba) inserted (with effect in accordance with Sch. 4 para. 25 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 4 para. 15](#)

**F716** S. 254(7A)(7B) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 18](#)

#### Modifications etc. (not altering text)

**C139** S. 254 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), [Sch. 3 Pt. 1](#)

**C140** S. 254(7A) applied (with modifications) (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 33](#)

#### Commencement Information

**I104** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 255 Assessments under this Part

- (1) The Board of Inland Revenue may by regulations make provision for and in connection with the making of assessments in respect of—

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- (a) the unauthorised payments charge,
  - (b) the unauthorised payments surcharge,
  - (c) liability to the lifetime allowance charge under section 217(2) (person to whom lump sum death benefit paid),
  - [<sup>F717</sup>(ca) liability to the annual allowance charge by virtue of section 237B,]
  - (d) the scheme sanction charge,
  - [<sup>F718</sup>(da) liability of the scheme administrator of a registered pension scheme, or the scheme manager of a qualifying recognised overseas pension scheme or of a former such scheme, to the overseas transfer charge,]
  - (e) liability under section 272 (trustees etc. liable as scheme administrator),
  - [<sup>F719</sup>(ea) liability under section 272C (former scheme administrator to retain liability in cases involving independent trustees etc),]
  - (f) liability under section 273 (member liable as scheme administrator), and
  - (g) liability under section 394 of ITEPA 2003 (benefit under employer-financed retirement benefits scheme: charge on responsible person).
- (2) The provision that may be made by the regulations includes (in particular) provision for the charging of interest on tax due under such assessments which remains unpaid.
- (3) The regulations may, in particular—
- (a) modify the operation of any provision of the Tax Acts, or
  - (b) provide for the application of any provision of the Tax Acts (with or without modification).

#### Textual Amendments

**F717** S. 255(1)(ca) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 19](#)

**F718** S. 255(1)(da) inserted (retrospective to 9.3.2017 and with effect in accordance with Sch. 4 para. 25 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 4 para. 16](#)

**F719** S. 255(1)(ea) inserted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 17](#)

#### Commencement Information

**I105** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### [<sup>F720</sup>Payment

#### Textual Amendments

**F720** Ss. 255A, 255B and cross-heading inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 48, 64\(1\)](#)

## 255A Electronic payment

- (1) The Board of Inland Revenue may give directions requiring specified persons to use electronic means for the making of specified payments required to be made under or by virtue of this Part.

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- (2) Directions under this section may make provision—
- (a) as to conditions that must be complied with in connection with the use of electronic means for the making of any payment,
  - (b) for treating a payment as not having been made unless conditions imposed by the directions are satisfied, and
  - (c) for determining the time when a payment in accordance with directions under this section is to be taken to be made.
- (3) Directions under this section may also make provision (which may include provision for the application of conclusive or other presumptions) as to the manner of proving for any purpose—
- (a) whether any use of electronic means for making a payment is to be taken as having resulted in the payment being made,
  - (b) the time of the making of any payment for the making of which electronic means have been used, and
  - (c) any other matter for which provision may be made by directions under this section.
- (4) Directions under this section—
- (a) may be specific or general, and
  - (b) may provide that the conditions of any authorisation or requirement imposed by the directions are to be taken to be satisfied only where the Inland Revenue is satisfied as to specified matters.
- (5) Directions under this section may—
- (a) suspend for any period during which the use of electronic means for the making of payments is impossible or impractical, any requirements imposed by the directions relating to the use of such means,
  - (b) substitute alternative requirements for the suspended ones, and
  - (c) make any provision that is necessary in consequence of the imposition of the substituted requirements.
- (6) Directions under this section may—
- (a) make different provision for different cases,
  - (b) make such incidental, supplementary, consequential and transitional provision in connection with any provision contained in such directions as the Board of Inland Revenue thinks fit.
- (7) In this section—
- “the Inland Revenue” includes any person who for the purposes of the electronic means of payment is acting under the authority of the Board of Inland Revenue, and
  - “specified” means specified in a direction under this section.

## **255B Payments to be cleared payments**

- (1) A payment made to the Board of Inland Revenue or the Inland Revenue under or by virtue of this Part (otherwise than in cash) is to be treated as not having been made until the earliest date on or before which all the transactions that need to be completed before the whole amount of the payment becomes available to the Board are capable of being completed.

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- (2) In this section “the Inland Revenue” includes any person who is acting under the authority of the Board of Inland Revenue.]

### *Registration regulations*

## **256 Enhanced lifetime allowance regulations**

- (1) This section applies to regulations made by the Board of Inland Revenue under—
- (a) section 220(5) (lifetime allowance enhancement: registration of pension credits),
  - (b) section 221(6) (lifetime allowance enhancement: individuals who are not always relevant UK individuals),
  - (c) section 224(9) (lifetime allowance enhancement: transfers from recognised overseas pension scheme),
  - (d) paragraph 7(1)(b) [<sup>F721</sup>or 11A(1)(c)] of Schedule 36 (lifetime allowance enhancement: primary protection),
  - (e) paragraph 12(1) [<sup>F722</sup>or 15A(1)(b)] of that Schedule (lifetime allowance: enhanced protection), and
  - (f) paragraph 18(6) of that Schedule (lifetime allowance enhancement: pre-commencement pension credits).
- (2) The regulations to which this section applies are referred to in this Part as “enhanced lifetime allowance regulations”.
- (3) Enhanced lifetime allowance regulations may include any provision that appears appropriate for securing that the correct tax is charged—
- (a) by way of the lifetime allowance charge in respect of amounts crystallised by benefit crystallisation events, and
  - (b) in respect of the payment of lump sums by registered pension schemes.
- (4) Enhanced lifetime allowance regulations may, for that purpose, in particular contain provision—
- (a) requiring any person to produce or make available documents, produce certificates or provide information, and
  - (b) for the review from time to time of any matter registered in accordance with the regulations.

#### **Textual Amendments**

**F721** Words in s. 256(1)(d) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 42\(a\)](#)

**F722** Words in s. 256(1)(e) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 42\(b\)](#)

#### **Commencement Information**

**I106** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

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## Penalties

### 257 Registered pension scheme return

- (1) If the scheme administrator of a registered pension scheme fails to comply with a notice under section 250 (registered pension scheme return), the scheme administrator is liable to a penalty of £100.
- (2) If the failure continues after a penalty is imposed under subsection (1), the scheme administrator is liable to a further penalty not exceeding £60 for each day on which the failure continues after the day on which that penalty was imposed (but excluding any day for which a penalty under this subsection has already been imposed).
- (3) No penalty may be imposed under subsection (1) or (2) in respect of a failure after it has been remedied.
- (4) If the scheme administrator of a registered pension scheme fraudulently or negligently—
  - (a) makes an [<sup>F723</sup>inaccurate] return required by a notice under section 250, or
  - (b) delivers any [<sup>F723</sup>inaccurate] accounts, statements or other documents with such a return,the scheme administrator is liable to a penalty not exceeding £3,000.

#### Textual Amendments

**F723** Word in s. 257(4)(a)(b) substituted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 23\(b\)](#)

#### Modifications etc. (not altering text)

**C141** S. 257 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), [Sch. 3 Pt. 1](#)

#### Commencement Information

**I107** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### 258 Information required by regulations

- (1) In section 98 of TMA 1970 (penalties for failure to provide information and providing false information), in the second column of the Table, insert at the appropriate place — “regulations under section 251(1)(a) or (4) of the Finance Act 2004;”.
- (2) A person who fails to comply with regulations under section 251(1)(b) (preservation of documents) is liable to a penalty not exceeding £3,000.

#### Modifications etc. (not altering text)

**C142** S. 258(1) modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), [Sch. 3 Pt. 1](#)

**C143** S. 258(2) modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), [Sch. 3 Pt. 1](#)

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**Commencement Information**

**I108** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

**<sup>F724</sup>259 Documents and particulars required by notice**

.....

**Textual Amendments**

**F724** S. 259 omitted (1.4.2010) by virtue of [The Finance Act 2009, Section 96 and Schedule 48 \(Appointed Day, Savings and Consequential Amendments\) Order 2009 \(S.I. 2009/3054\)](#), art. 1, **Sch. para. 13** (with art. 8)

**260 Accounting return**

- <sup>F725</sup>(1) .....
- <sup>F725</sup>(2) .....
- <sup>F725</sup>(3) .....
- <sup>F725</sup>(4) .....
- <sup>F725</sup>(5) .....
- <sup>F726</sup>(6) .....
- <sup>F726</sup>(7) .....

**Textual Amendments**

**F725** S. 260(1)-(5) omitted (1.4.2011) by virtue of [The Finance Act 2009, Schedules 55 and 56 \(Income Tax Self Assessment and Pension Schemes\) \(Appointed Days and Consequential and Savings Provisions\) Order 2011 \(S.I. 2011/702\)](#), arts. 1(1), **14** (with arts. 1(2), 21)

**F726** S. 260(6)(7) omitted (1.6.2013) by virtue of [The Pension Schemes \(Miscellaneous Amendments\) Order 2013 \(S.I. 2013/1114\)](#), arts. 1(1), **5**

**261 Enhanced lifetime allowance regulations: documents and information**

- (1) This section applies where an individual fraudulently or negligently—
  - (a) produces or makes available an [<sup>F727</sup>inaccurate] document, or produces an [<sup>F727</sup>inaccurate] certificate, in connection with any matter registered in accordance with enhanced lifetime allowance regulations, or
  - (b) provides false information in connection with any such matter, and the condition in subsection (2) is met.
- (2) The condition is that—
  - (a) the amount of the individual’s lifetime allowance at the time which is relevant for the purposes of this paragraph, or

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- (b) the amount of the pension commencement lump sums to which the individual may be entitled at the time which is relevant for the purposes of this paragraph, would be greater than it actually is were the document or certificate correct or the information true.
- (3) The individual is liable to a penalty not exceeding 25% of the relevant excess.
- (4) In a case within paragraph (a) of subsection (2), the relevant excess is the difference between what would be the amount of the individual's lifetime allowance at the time which is relevant for the purposes of that paragraph (were the document or certificate correct or the information true) and whichever is the higher of—
- (a) the actual amount of the individual's lifetime allowance at that time, and
- (b) the standard lifetime allowance at that time.
- (5) The time which is relevant for the purposes of paragraph (a) of subsection (2)—
- (a) where a benefit crystallisation event has occurred in relation to the individual since the document was produced or made available, the certificate produced or the information provided (but before a penalty under this section is imposed), is the time when the benefit crystallisation event occurred, and
- (b) otherwise, is the time when the document was produced or made available, the certificate produced or the information provided.
- (6) In a case within paragraph (b) of subsection (2), the relevant excess is the difference between—
- (a) what would be the amount of the pension commencement lump sums to which the individual may be entitled at the time which is relevant for the purposes of that paragraph (were the document or certificate correct or the information true), and
- (b) the actual amount at that time of the pension commencement lump sums to which the individual may be entitled.
- (7) The time which is relevant for the purposes of paragraph (b) of subsection (2) is the time when the document was produced or made available, the certificate produced or the information provided.

#### Textual Amendments

**F727** Word in s. 261(1)(a) substituted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 23\(c\)](#)

#### Modifications etc. (not altering text)

**C144** S. 261 applied (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), [regs. 1\(1\)](#), [11\(2\)](#)

#### Commencement Information

**I109** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 262 Enhanced lifetime allowance regulations: failures to comply

An individual who fails—

- (a) to produce or make available any document required to be produced by enhanced lifetime allowance regulations,

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- (b) to produce any certificate required to be produced by enhanced lifetime allowance regulations, or
  - (c) to provide any information required to be provided by enhanced lifetime allowance regulations,
- is liable to a penalty not exceeding £3,000.

**Modifications etc. (not altering text)**

**C145** S. 262 applied (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), **11(2)**

**Commencement Information**

**I110** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

**263 Lifetime allowance enhanced protection: benefit accrual**

- (1) This section applies where—
  - (a) paragraph 12 of Schedule 36 (lifetime allowance charge: enhanced protection) applies in relation to an individual, and
  - (b) relevant benefit accrual occurs in relation to the individual (as to which see paragraph 13 of that Schedule).
- (2) If the individual fails to notify the Inland Revenue of the relevant benefit accrual within the period of 90 days beginning with the day on which it occurs, the individual is liable to a penalty not exceeding £3,000.

**Modifications etc. (not altering text)**

**C146** S. 263 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), **5-11**

**Commencement Information**

**I111** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

**264 False statements etc**

- (1) A person who fraudulently or negligently makes a false statement or representation is liable to a penalty not exceeding £3,000 if, in consequence of the statement or representation—
  - (a) that person or any other person obtains relief from, or repayment of, tax chargeable under this Part, or
  - (b) a registered pension scheme makes a payment which is an unauthorised payment.
- (2) A person who assists in or induces the preparation of any document which the person knows—
  - (a) is [<sup>F728</sup>inaccurate], and



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- (b) will, or is likely to, cause a registered pension scheme to make an unauthorised payment,  
is liable to a penalty not exceeding £3,000.

#### **Textual Amendments**

**F728** Word in s. 264(2)(a) substituted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 23\(d\)](#)

#### **Commencement Information**

**I112** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### **265 Winding-up to facilitate payment of lump sums**

- (1) This section applies where the winding-up of a registered pension scheme has begun and the Inland Revenue considers the pension scheme is being wound up wholly or mainly for the purpose specified in subsection (2).
- (2) That purpose is facilitating the payment of winding-up lump sums or winding-up lump sum death benefits (or both) under the pension scheme.
- (3) The scheme administrator is liable to a penalty not exceeding the relevant amount.
- (4) The relevant amount is £3,000 in respect of—
  - (a) each member to whom a winding-up lump sum is paid under the pension scheme, and
  - (b) each member in respect of whom a winding-up lump sum death benefit is paid under the pension scheme.

#### **Modifications etc. (not altering text)**

**C147** S. 265(3) modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), [Sch. 3 Pt. 1](#)

#### **Commencement Information**

**I113** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### **266 Transfers to insured schemes**

- (1) This section applies where sums held for the purposes of, or representing accrued rights under, a registered pension scheme (“the transferor scheme”) are transferred so as to become held for the purposes of, or to represent rights under, a registered pension scheme that is an insured scheme (“the transferee scheme”).
- (2) The scheme administrator of the transferor scheme is liable to a penalty not exceeding £3,000 unless the sums are transferred either to the scheme administrator of the transferee scheme or to a relevant insurance company.
- (3) In this section—

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“insured scheme” means a pension scheme all the income and other assets of which are invested in policies of insurance, and  
 “relevant insurance company” means an insurance company that issued any of the policies of insurance.

**Modifications etc. (not altering text)**

**C148** S. 266(2) modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), **Sch. 3 Pt. 1**

**Commencement Information**

**I114** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*[<sup>F729</sup>Relief from liability in respect of returned unauthorised member payments*

**Textual Amendments**

**F729** Ss. 266A, 266B and cross-heading inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), **Sch. 10 paras. 4, 64(1)**

**266A Member's liability**

- (1) This section applies where—
  - (a) a liability to the unauthorised payments charge, or to both the unauthorised payments charge and the unauthorised payments surcharge, has arisen in respect of an unauthorised member payment, and
  - (b) property or money is transferred, or a sum paid, towards a registered pension scheme pursuant to [<sup>F730</sup>a relevant order] as a result of the unauthorised member payment.
- (2) The member of the registered pension scheme to or in respect of whom the unauthorised member payment was made (or, if it was paid after his death, the recipient) may claim relief from—
  - (a) the relevant proportion of the unauthorised payments charge, and
  - (b) if a liability to the unauthorised payments surcharge has arisen and subsection (4) is satisfied, the relevant proportion of the unauthorised payments surcharge.
- (3) The claim must be made within the period of one year beginning with the day on which the property or money is transferred, or the sum paid.
- (4) This subsection is satisfied if no part of the unauthorised member payment and no asset or sum representing it—
  - (a) has been received by (or on behalf of) the member or a person connected with the member, or
  - (b) has been held for more than 180 days by a person or succession of persons, other than the member or a person connected with the member, involved in any transaction by which the unauthorised member payment was made.

*Status: Point in time view as at 06/04/2021.*

*Changes to legislation: Finance Act 2004 is up to date with all changes known to be in force on or before 09 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

- (5) The relevant proportion of the unauthorised payments charge or the unauthorised payments surcharge is—

ASOUMP

where—

ASO is the amount subject to the [<sup>F731</sup>relevant] order, that is the aggregate of the market value of any property and the amount of any money transferred, or the amount of the sum paid, towards a registered pension scheme pursuant to the [<sup>F732</sup>relevant order] in respect of the unauthorised member payment, and

UMP is the amount of the unauthorised member payment.

- (6) But if ASO is greater than UMP, the relevant proportion of the unauthorised payments charge or the unauthorised payments surcharge is the whole of it.

[ In this section “relevant order” means an order under any of the following—

- <sup>F733</sup>(6A) (a) section 16(1), 19(4) or 21(2)(a) of the Pensions Act 2004 (orders for money etc to be restored to pension schemes), or  
(b) Article 12(1), 15(4) or 17(2)(a) of the Pensions (Northern Ireland) Order 2005 (corresponding provision for Northern Ireland).]

- [<sup>F734</sup>(7) For the purposes of this section whether a person is connected with another person is determined in accordance with section 993 of ITA 2007.]

#### Textual Amendments

**F730** Words in s. 266A(1)(b) substituted (with effect in accordance with Sch. 7 para. 16 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 14\(2\)](#)

**F731** Word in s. 266A(5) inserted (with effect in accordance with Sch. 7 para. 16 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 14\(3\)\(a\)](#)

**F732** Words in s. 266A(5) substituted (with effect in accordance with Sch. 7 para. 16 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 14\(3\)\(b\)](#)

**F733** S. 266A(6A) inserted (with effect in accordance with Sch. 7 para. 16 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 14\(4\)](#)

**F734** S. 266A(7) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 477](#) (with [Sch. 2](#))

### 266B Scheme's liability

- (1) This section applies where—
- (a) the scheme administrator of a registered pension scheme has become liable to the scheme sanction charge in respect of an unauthorised member payment, and
  - (b) property or money is transferred, or a sum paid, towards a registered pension scheme pursuant to [<sup>F735</sup>a relevant order] as a result of the unauthorised member payment.
- (2) The scheme administrator may, within the period of one year beginning with the day on which the property or money is transferred, or the sum paid, claim relief from the relevant proportion of the scheme sanction charge.
- (3) The relevant proportion of the scheme sanction charge is—

*Status: Point in time view as at 06/04/2021.*

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## ASOUMP

where—

ASO is the amount subject to the [<sup>F736</sup>relevant] order, that is the aggregate of the market value of any property and the amount of any money transferred, or the amount of the sum paid, towards a registered pension scheme pursuant to the [<sup>F737</sup>relevant order] in respect of the unauthorised member payment, and

UMP is the amount of the unauthorised member payment.

- (4) But if ASO is greater than UMP, the relevant proportion of the scheme sanction charge is the whole of it.

[ In this section “relevant order” means an order under any of the following—

- <sup>F738</sup>(5) (a) section 16(1), 19(4) or 21(2)(a) of the Pensions Act 2004 (orders for money etc to be restored to pension schemes), or  
(b) Article 12(1), 15(4) or 17(2)(a) of the Pensions (Northern Ireland) Order 2005 (corresponding provision for Northern Ireland).]

### Textual Amendments

- F735** Words in s. 266B(1)(b) substituted (with effect in accordance with Sch. 7 para. 16 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 15\(2\)](#)
- F736** Word in s. 266B(3) inserted (with effect in accordance with Sch. 7 para. 16 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 15\(3\)\(a\)](#)
- F737** Words in s. 266B(3) substituted (with effect in accordance with Sch. 7 para. 16 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 15\(3\)\(b\)](#)
- F738** S. 266B(5) inserted (with effect in accordance with Sch. 7 para. 16 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 15\(4\)](#)

### Modifications etc. (not altering text)

- C149** S. 266B modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), [Sch. 3 Pt. 1](#)

*Discharge of tax liability: good faith*

## 267 Lifetime allowance charge

- (1) This section applies where the scheme administrator of a registered pension scheme is liable to the lifetime allowance charge in respect of a benefit crystallisation event.
- (2) The scheme administrator may apply to the Inland Revenue for the discharge of the scheme administrator’s liability to the lifetime allowance charge in respect of the benefit crystallisation event on the ground mentioned in subsection (3).
- (3) The ground is that—
- the scheme administrator reasonably believed that there was no liability to the lifetime allowance charge in respect of the benefit crystallisation event, and
  - in all the circumstances of the case, it would not be just and reasonable for the scheme administrator to be liable to the lifetime allowance charge in respect of the benefit crystallisation event.

*Status: Point in time view as at 06/04/2021.*

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- (4) On receiving an application under subsection (2), the Inland Revenue must decide whether to discharge the scheme administrator's liability to the lifetime allowance charge in respect of the benefit crystallisation event.
- (5) The scheme administrator may apply to the Inland Revenue for the discharge of part of the scheme administrator's liability to the lifetime allowance charge in respect of the benefit crystallisation event on the ground mentioned in subsection (6).
- (6) The ground is that—
  - (a) the scheme administrator reasonably believed that the amount of the lifetime allowance charge in respect of the benefit crystallisation event was less than the actual amount, and
  - (b) in all the circumstances of the case, it would not be just and reasonable for the scheme administrator to be liable to an amount ("the excess amount") equal to the difference between the amount which the scheme administrator believed to be the amount of the charge and the actual amount.
- (7) On receiving an application under subsection (5), the Inland Revenue must decide whether to discharge the scheme administrator's liability to the lifetime allowance charge in respect of the excess amount (or part of the excess amount).
- (8) The discharge of the scheme administrator's liability to the lifetime allowance charge (or to the excess amount or part of the excess amount) does not affect the liability of any other person to the lifetime allowance charge.
- (9) The Inland Revenue must notify the scheme administrator of the decision on an application under this section.
- (10) Regulations made by the Board of Inland Revenue may make provision supplementing this section; and the regulations may in particular make provision as to the time limits for the making of an application.

**Modifications etc. (not altering text)**

**C150** S. 267 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), **Sch. 3 Pt. 1**

**Commencement Information**

**I115** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## **268 Unauthorised payments surcharge and scheme sanction charge**

- (1) This section applies where—
  - (a) a person is liable to the unauthorised payments surcharge in respect of an unauthorised payment, or
  - (b) the scheme administrator of a registered pension scheme is liable to the scheme sanction charge in respect of a scheme chargeable payment.
- (2) The person liable to the unauthorised payments surcharge may apply to the Inland Revenue for the discharge of the person's liability to the unauthorised payments surcharge in respect of the unauthorised payment on the ground mentioned in subsection (3).

*Status: Point in time view as at 06/04/2021.*

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- (3) The ground is that in all the circumstances of the case, it would not be just and reasonable for the person to be liable to the unauthorised payments surcharge in respect of the payment.
  - (4) On receiving an application by a person under subsection (2) the Inland Revenue must decide whether to discharge the person's liability to the unauthorised payments surcharge in respect of the payment.
  - (5) The scheme administrator may apply to the Inland Revenue for the discharge of the scheme administrator's liability to the scheme sanction charge in respect of a scheme chargeable payment on the ground mentioned in subsection (6) or (7).
  - (6) In the case of a scheme chargeable payment which is treated as being an unauthorised member payment by section 172<sup>F739</sup>, 172A, 172B, <sup>F740</sup>... 172C or 172D <sup>F741</sup>..., the ground is that, in all the circumstances of the case, it would not be just and reasonable for the scheme administrator to be liable to the scheme sanction charge.
  - (7) In any other case, the ground is that—
    - (a) the scheme administrator reasonably believed that the unauthorised payment was not a scheme chargeable payment, and
    - (b) in all the circumstances of the case, it would not be just and reasonable for the scheme administrator to be liable to the scheme sanction charge in respect of the unauthorised payment.
- <sup>F742</sup>(7A) Subsection (7) applies with the omission of its paragraph (a) if the scheme chargeable payment is a payment of a lump sum where the conditions in paragraph 1B(2)(a) to (g) of Schedule 29 are met.]
- (8) On receiving an application under subsection (5), the Inland Revenue must decide whether to discharge the scheme administrator's liability to the scheme sanction charge in respect of the unauthorised payment.
  - (9) The Inland Revenue must notify the applicant of the decision on an application under this section.
  - (10) Regulations made by the Board of Inland Revenue may make provision supplementing this section; and the regulations may in particular make provision as to the time limits for the making of an application.

#### Textual Amendments

- F739** Words in s. 268(6) substituted (retrospective to 6.4.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 19 paras. 1729\(7\)](#)
- F740** Word in s. 268(6) omitted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 75\(a\)](#)
- F741** Words in s. 268(6) omitted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 75\(b\)](#)
- F742** S. 268(7A) inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 5 paras. 12\(3\)](#), 15

#### Modifications etc. (not altering text)

- C151** S. 268 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), [Sch. 3 Pt. 1](#)

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### Commencement Information

**I116** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 269 Appeal against decision on discharge of liability

- (1) This section applies where the Inland Revenue—
  - (a) decides to refuse an application under [<sup>F743</sup>section 237D (discharge of scheme administrator's liability to annual allowance charge),]<sup>F744</sup>section 244N (discharge of liability to overseas transfer charge),] section 267(2) (discharge of liability to lifetime allowance charge) or section 268 (discharge of liability to unauthorised payments surcharge or scheme sanction charge), or
  - (b) on an application under section 267(5), decides to refuse the application or to discharge the applicant's liability to the lifetime allowance charge in respect of part only of the excess amount.
- (2) The applicant may appeal against the decision.
- <sup>F745</sup>(3) .....
- <sup>F745</sup>(4) .....
- (5) An appeal under this section against a decision must be brought within the period of 30 days beginning with the day on which the applicant was given notification of the decision.
- (6) [<sup>F746</sup>On an appeal under subsection (1)(a) that is notified to the tribunal, the tribunal] must consider whether the applicant's liability to the lifetime allowance charge, unauthorised payments surcharge or scheme sanction charge ought to have been discharged.
- (7) If [<sup>F747</sup>the tribunal considers] that the applicant's liability ought not to have been discharged, [<sup>F748</sup>the tribunal must] dismiss the appeal.
- (8) If [<sup>F747</sup>the tribunal considers] that the applicant's liability ought to have been discharged, [<sup>F748</sup>the tribunal must] grant the application.
- (9) [<sup>F749</sup>On an appeal under subsection (1)(b) that is notified to the tribunal, the tribunal] must consider whether the applicant's liability to the lifetime allowance charge ought to have been discharged in respect of the excess amount or a greater part of the excess amount.
- (10) If [<sup>F750</sup>the tribunal considers] that the applicant's liability ought not to have been discharged in respect of the excess amount or a greater part of the excess amount, [<sup>F751</sup>the tribunal must] dismiss the appeal.
- (11) If [<sup>F750</sup>the tribunal considers] that the applicant's liability ought to have been discharged in respect of the excess amount or a greater part of the excess amount, [<sup>F751</sup>the tribunal must] discharge the applicant's liability in respect of the excess amount or that part of the excess amount.

*Status: Point in time view as at 06/04/2021.*

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### Textual Amendments

- F743** Words in s. 269(1)(a) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 20](#)
- F744** Words in s. 269(1)(a) inserted (with effect in accordance with Sch. 4 para. 25 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 4 para. 17](#)
- F745** S. 269(3)(4) omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 427\(2\)](#)
- F746** Words in s. 269(6) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 427\(3\)](#)
- F747** Words in s. 269(7)(8) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 427\(4\)\(a\)](#)
- F748** Words in s. 269(7)(8) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 427\(4\)\(b\)](#)
- F749** Words in s. 269(9) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 427\(5\)](#)
- F750** Words in s. 269(10)(11) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 427\(6\)\(a\)](#)
- F751** Words in s. 269(10)(11) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 427\(6\)\(b\)](#)

### Commencement Information

- I117** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

## *Scheme administrator*

### 270 Meaning of “scheme administrator”

- (1) References in this Part to the scheme administrator, in relation to a pension scheme, are to the person who is, or persons who are, appointed in accordance with the rules of the pension scheme to be responsible for the discharge of the functions conferred or imposed on the scheme administrator of the pension scheme by and under this Part.
- (2) But a person cannot be the person who is, or one of the persons who are, the scheme administrator of a pension scheme unless the person—
  - (a) is resident in the United Kingdom or another state which is a member State or a non-member EEA State,<sup>F752</sup>...
  - (b) has made the required declaration to the Inland Revenue<sup>F753</sup>, and
  - (c) has made to an officer of Revenue and Customs any other declarations which are reasonably required by Her Majesty's Revenue and Customs.]
- (3) “The required declaration” is a declaration that the person—
  - (a) understands that the person will be responsible for discharging the functions conferred or imposed on the scheme administrator of the pension scheme by and under this Part, and
  - (b) intends to discharge those functions at all times, whether resident in the United Kingdom or another state which is a member State or a non-member EEA State.



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- (4) “Non-member EEA State” means a State which is a contracting party to the Agreement on the European Economic Area signed at Oporto on 2nd May 1992 (as adjusted by the Protocol signed at Brussels on 17th March 1993) but which is not a member State.

#### Textual Amendments

- F752** Word in s. 270(2) omitted (with effect in accordance with Sch. 7 para. 9(2) of the amending Act) by virtue of [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 9\(1\)\(a\)](#)
- F753** S. 270(2)(c) and preceding word inserted (with effect in accordance with Sch. 7 para. 9(2) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 9\(1\)\(b\)](#)

#### Modifications etc. (not altering text)

- C152** S. 270(2) applied (with modifications) (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), [3\(4\)](#)
- C153** S. 270(3) applied (with modifications) (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), [3\(4\)](#)

#### Commencement Information

- I118** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 271 Liability of scheme administrator

- (1) Any liability of a person who is, or of any of the persons who are, the scheme administrator of a registered pension scheme ceases to be a liability of that person on the person ceasing to be, or to be one of the persons who is, the scheme administrator of the pension scheme.

This subsection does not apply to a liability to pay a penalty and is subject to subsection (4).

- (2) Where a person becomes, or becomes one of the persons who is, the scheme administrator of a registered pension scheme, the person assumes any existing liabilities of the scheme administrator of the pension scheme, other than any liability to pay a penalty.
- (3) Subsection (4) applies where, on the person who is or the persons who are the scheme administrator of a registered pension scheme ceasing to be the scheme administrator, there is no scheme administrator of the pension scheme.
- (4) Any liability of the person or persons as scheme administrator remains a liability of that person or those persons as if still the scheme administrator (unless dead or having ceased to exist) until another person becomes, or other persons become, the scheme administrator of the pension scheme.
- (5) But a person who retains, or persons who retain, any liability by virtue of subsection (4) may apply to the Inland Revenue to be released from the liability.
- (6) On receipt of the application the Inland Revenue must decide whether or not to release the applicant or applicants from the liability and must notify the applicant, or each of the applicants, of the decision.

*Status: Point in time view as at 06/04/2021.*

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(7) If the decision is not to release the applicant or applicants from the liability the applicant or applicants may appeal against the decision.

<sup>F754</sup>(8) .....

(9) The appeal must be brought within the period of 30 days beginning with the day on which the applicant was notified of the decision.

<sup>F755</sup>(10) .....

(11) [<sup>F756</sup>On an appeal that is notified to the tribunal, the tribunal] must consider whether the applicant or applicants ought to have been released from the liability.

(12) If [<sup>F757</sup>the tribunal decides] that the applicant or applicants ought not to have been released from the liability, [<sup>F758</sup>the tribunal must] dismiss the appeal.

(13) If [<sup>F759</sup>the tribunal decides] that the applicant or applicants ought to have been released from the liability, the applicant is, or applicants are, to be treated as having been released from the liability (but subject to any further appeal <sup>F760</sup>...).

#### Textual Amendments

**F754** S. 271(8) omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 428(2)**

**F755** S. 271(10) omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 428(2)**

**F756** Words in s. 271(11) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 428(3)**

**F757** Words in s. 271(12) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 428(4)(a)**

**F758** Words in s. 271(12) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 428(4)(b)**

**F759** Words in s. 271(13) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 428(5)(a)**

**F760** Words in s. 271(13) omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 428(5)(b)**

#### Modifications etc. (not altering text)

**C154** S. 271 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), **Sch. 3 Pt. 1**

#### Commencement Information

**I119** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 272 Trustees etc. liable as scheme administrator

- (1) This section applies in relation to a registered pension scheme if—
- there is no scheme administrator of the pension scheme and no-one who remains subject to the liabilities of the scheme administrator by virtue of section 271(4) (continuation of liability where no scheme administrator),
  - the person who is, or all the persons who are, the scheme administrator of the pension scheme or remain so subject cannot be traced, or

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- (c) the person who is, or all the persons who are, the scheme administrator of the pension scheme or remain so subject are in serious default.
- (2) Any person who assumes liability by reason of this section applying in relation to the pension scheme—
- (a) is liable to pay any tax (and any interest on tax) due from the scheme administrator of the pension scheme by virtue of this Part, and
  - (b) is responsible for the discharge of all other obligations imposed on the scheme administrator of the pension scheme by or under this Part.
- (3) In subsection (2)—
- (a) the references in paragraph (a) to tax, and interest on tax, include any that has become due before this section applied in relation to the pension scheme and remains unpaid, and
  - (b) the reference in paragraph (b) to obligations includes any that have become due before this section applied in relation to the pension scheme and remain unsatisfied, other than any liability to pay a penalty which has become due before this section so applied.
- (4) The following heads specify the persons who assume liability by reason of this section applying in relation to the pension scheme [<sup>F761</sup>or by reason of section 272C(7) applying in relation to a liability]; but if—
- (a) a person assumes, or persons assume, liability by virtue of being specified under one head, and
  - (b) that person, or any of those persons, can be traced and is not in default,
- no-one assumes liability by virtue of being specified under a later head.

#### *Head 1*

If there are one or more trustees of the pension scheme who are resident in the United Kingdom, that trustee or each of those trustees.

#### *Head 2*

If there are one or more persons who control the management of the pension scheme, that person or each of those persons.

#### *Head 3*

If alive or still in existence, the person, or any of the persons, who established the pension scheme and any person by whom that person, or any of those persons, has been directly or indirectly succeeded in relation to the provision of benefits under the pension scheme.

#### *Head 4*

If the pension scheme is an occupational pension scheme, any sponsoring employer.

#### *Head 5*

If there are one or more trustees of the pension scheme who are not resident in the United Kingdom, that trustee or each of those trustees.

- (5) Where a person assumes liability by reason of this section applying in relation to the pension scheme, the Inland Revenue must, as soon as is reasonably practicable, notify the person of that fact; but failure to do so does not affect the person's liability.

*Status: Point in time view as at 06/04/2021.*

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- (6) For the purposes of this section a person is in default if the person—
- (a) has failed to pay all or any of the tax (or interest on tax) due from the person by virtue of this Part, or
  - (b) has failed to discharge any other obligation imposed on the person by or under this Part,
- and a person in default is in serious default if the Inland Revenue considers the failure to be of a serious nature.

#### Textual Amendments

**F761** Words in s. 272(4) inserted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 18](#)

#### Modifications etc. (not altering text)

- C155** S. 272 applied (with modifications) (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), [3\(5\)](#)
- C156** S. 272 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), [Sch. 3 Pt. 1](#)
- C157** S. 272(4) modified (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, [27\(2\)](#)

#### Commencement Information

**I120** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### [<sup>F762</sup>272A] Liabilities of independent trustee

- (1) This section applies in relation to a person (“P”) who is an independent trustee of a registered pension scheme.
- (2) For the purposes of this section and section 272B an “independent trustee” is a trustee of a pension scheme—
  - (a) who is appointed by, or otherwise pursuant to, an order made—
    - (i) by the Pensions Regulator under section 7 of the Pensions Act 1995 or Article 7 of the Pensions (Northern Ireland) Order 1995 (appointment of trustees by the Pensions Regulator), or
    - (ii) by a court on an application made by the Pensions Regulator, and
  - (b) who is not a trustee of the pension scheme at any time before—
    - (i) the day on which the trustee's appointment as mentioned in paragraph (a) takes effect, or
    - (ii) if the trustee is appointed as mentioned in paragraph (a) on more than one occasion, the day on which the first appointment takes effect.
- (3) In this section “the relevant day” means—
  - (a) the day on which P's appointment as trustee of the pension scheme as mentioned in subsection (2)(a) takes effect, or
  - (b) if P is appointed as trustee of the pension scheme as mentioned in subsection (2)(a) on more than one occasion, the day on which P's first appointment takes effect.

*Status: Point in time view as at 06/04/2021.*

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- (4) If P is, or is one of the persons who are, the scheme administrator, P does not assume any liability falling within subsection (7) which P would otherwise assume (including by reason of section 272C(3) or (4)).
- (5) Subsection (4) does not apply if P is, or is one of the persons who are, the scheme administrator at any time before the relevant day.
- (6) In relation to any liability falling within subsection (7), in section 272(4) references to trustees or to persons who control the management of the pension scheme do not include P.
- (7) The liabilities falling within this subsection are—
  - (a) liabilities for the following in respect of payments made (or treated as having been made) by the pension scheme on or before the relevant day—
    - (i) the short service refund lump sum charge;
    - <sup>F763</sup>(ii) . . . . .
    - (iii) the special lump sum death benefits charge;
    - (iv) the authorised surplus payments charge;
    - (v) the scheme sanction charge in respect of scheme chargeable payments falling within section 241(1)(a) or (b);
  - (b) liabilities for the lifetime allowance charge in respect of benefit crystallisation events occurring on or before the relevant day;
  - (c) liabilities for the scheme sanction charge in respect of scheme chargeable payments treated under section 185A or 185F as having been made by the pension scheme in tax years earlier than the one in which the relevant day falls;
  - (d) any liability for the scheme sanction charge in respect of the relevant fraction of any scheme chargeable payment treated under section 185A as having been made by the pension scheme in the tax year in which the relevant day falls;
  - (e) where the pension scheme is treated under section 185F as having made a scheme chargeable payment in the tax year in which the relevant day falls and there is a relevant net gain, any liability for the scheme sanction charge in respect of the relevant amount;
  - (f) any liability to pay interest in respect of a liability mentioned in paragraphs (a) to (e) arising at any time.

- (8) For the purposes of subsection (7)(d) “the relevant fraction” is—

A B

where—

A is the number of days in the tax year up to (and including) the relevant day, and

B is the number of days in the tax year.

- (9) For the purposes of subsection (7)(e)—
  - (a) there is a “relevant net gain” if—
    - (i) the total amount of any gains treated under section 185F as accruing in the tax year on or before the relevant day, exceeds
    - (ii) the total amount of any losses treated under section 185F as so accruing, and
  - (b) “the relevant amount” is—
    - (i) the scheme chargeable payment, or

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- (ii) if that payment is greater than the excess of gains over losses mentioned in paragraph (a), the amount of that excess.
- (10) Subsection (11) applies if—
- (a) apart from that subsection, losses in relation to which section 185G(10) applies would be included in the total amount mentioned in subsection (9)(a)(ii), and
  - (b) the losses exceed the gains—
    - (i) which are included in the total amount mentioned in subsection (9)(a)(i), and
    - (ii) from which the losses can be deducted in accordance with section 185G(10).
- (11) The losses are not to be included in the total amount mentioned in subsection (9)(a)(ii) so far as they exceed the gains.

#### Textual Amendments

**F762** Ss. 272A-272C inserted (with effect in accordance with Sch. 7 para. 22 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 19](#)

**F763** S. 272A(7)(a)(ii) omitted (with effect in accordance with Sch. 5 para. 4 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 5 para. 3\(1\)\(b\)](#)

### 272B Liabilities of scheme administrator appointed by independent trustee etc

- (1) This section applies in relation to a person (“Q”) who is, or is one of the persons who are, the scheme administrator of a registered pension scheme where Q's appointment as such takes effect at a time when the pension scheme has one or more independent trustees.
- (2) Q does not assume any liability falling within section 272A(7) which Q would otherwise assume.
- (3) In relation to any liability falling within section 272A(7), in section 272(4) references to persons who control the management of the pension scheme do not include Q.
- (4) Subsections (2) and (3) do not apply if Q is, or is one of the persons who are, the scheme administrator at any time before the relevant day.
- (5) In this section, and in section 272A as it applies for the purposes of this section, “the relevant day” means the first day on which the pension scheme has an independent trustee (whether or not there are days between that day and the day on which Q's appointment takes effect on which the pension scheme has no independent trustees).

#### Textual Amendments

**F762** Ss. 272A-272C inserted (with effect in accordance with Sch. 7 para. 22 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 19](#)

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*Status: Point in time view as at 06/04/2021.*

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## **272C Former scheme administrator etc to retain liability**

- (1) This section applies in relation to a liability which, by reason of section 272A(4), is not assumed by P (in which case “the relevant day” is to be read in accordance with section 272A(3)).
- (2) This section also applies in relation to a liability which, by reason of section 272B(2), is not assumed by Q (in which case “the relevant day” is to be read in accordance with section 272B(5)).
- (3) The liability is to be retained or assumed by the person who is, or the persons who are, the scheme administrator immediately before the relevant day (unless dead or having ceased to exist).
- (4) If there is no scheme administrator immediately before the relevant day, the liability is to be retained or assumed by the person who was, or the persons who were, the scheme administrator when there last was a scheme administrator before the relevant day (unless dead or having ceased to exist).
- (5) Nothing in section 271 prevents a person from having (and continuing to have) the liability by reason of subsection (3) or (4).
- (6) Subsection (7) applies if—
  - (a) no-one has the liability by reason of subsection (3) or (4),
  - (b) no-one who has the liability by reason of subsection (3) or (4) can be traced, or
  - (c) the person who has, or all the persons who have, the liability by reason of subsection (3) or (4) are in serious default (as determined in accordance with section 272(6)).
- (7) The liability is to be assumed by the person or persons determined in accordance with section 272(4).
- (8) Section 272(5) applies in relation to a person who assumes the liability by reason of subsection (7) as it applies in relation to a person who assumes a liability by reason of section 272.
- (9) Nothing in this section prevents any person from being subject to the liability apart from this section (in addition to any person who is subject to the liability by reason of this section), and in particular the liability continues to be a liability of the scheme administrator for the purposes of section 271(2).
- (10) If a person assumes the liability under section 271(2) at a time after P or Q's appointment as, or as one of the persons who are, the scheme administrator has ceased, the person who has, or the persons who have, the liability by reason of subsection (3) or (4) is, or are, released from the liability.
- (11) A person who has, or persons who have, the liability by reason of subsection (3) or (4) may apply to an officer of Revenue and Customs to be released from the liability.
- (12) Section 271(6) to (13) applies in relation to an application under subsection (11) as it applies in relation to an application under section 271(5).]

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### Textual Amendments

**F762** Ss. 272A-272C inserted (with effect in accordance with Sch. 7 para. 22 of the amending Act) by Finance Act 2014 (c. 26), **Sch. 7 para. 19**

## 273 Members liable as scheme administrator

- (1) This section applies in relation to a registered pension scheme if—
- a person has, or persons have, assumed liability by reason of section 272 (trustees etc.) applying in relation to the pension scheme,
  - the person has, or the persons have, become liable to pay tax (or interest on tax) which became due by virtue of section 239 (scheme sanction charge) or section 242 (de-registration charge) before section 272 applied in relation to the pension scheme,
  - that person, or each of those persons, has failed (in whole or in part) to satisfy the liability, and
  - that person, or each of those persons, has either died or ceased to exist or is a person in whose case the Inland Revenue considers the person's failure to satisfy the liability to be of a serious nature.

[<sup>F764</sup>(1A) This section also applies in relation to a registered pension scheme if—

- a person has, or persons have, by reason of section 272C(7) assumed a liability to pay tax (or interest on tax) by virtue of section 239 (scheme sanction charge) in respect of the whole or a part of a scheme chargeable payment falling within section 241(1)(b) or (c) made (or treated as having been made) by the pension scheme,
  - that person, or each of those persons, has failed (in whole or in part) to satisfy the liability, and
  - that person, or each of those persons, has either died or ceased to exist or is a person in whose case an officer of Revenue and Customs considers the person's failure to satisfy the liability to be of a serious nature.]
- (2) Any person who was a member of the pension scheme at any time during the relevant three-year period is liable to pay the appropriate share of the unpaid amount if—
- any of the conditions in subsection (5) is met, and
  - the Inland Revenue notifies the person of the person's liability to do so.
- (3) “The relevant three-year period” is the period of three years ending with the date on which the liability to pay the tax arose.
- (4) The “appropriate share of the unpaid amount”, in the case of a person, is—

$$\frac{AAP}{AA} \times UT$$

where—

AA is an amount equal to aggregate of the amount of the sums and the market value of the assets held for the purposes of the pension scheme at the time when the liability to pay the tax arose,



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AAP is an amount equal to so much of AA as is held for the purposes of such of the arrangements under the pension scheme as relate to the person or a person connected with the person, and

UT is so much of the tax (and any interest on it) as remains unpaid.

- (5) The conditions referred to in subsection (2)(a) are—
- (a) that the pension scheme <sup>F765</sup>... was not an occupational pension scheme,
  - (b) that at any time during the relevant three-year period the pension scheme received a transfer value in which there were represented relevant personal pension contributions made by or in respect of the person,
  - (c) that the pension scheme was an occupational pension scheme and at any time during the relevant three-year period the person was a controlling director of a company that was a sponsoring employer, and
  - (d) that at any time during the relevant three-year period the pension scheme received a transfer value in which there were represented relevant controlling director contributions made by or in respect of the person.
- (6) A notification under subsection (2)(b) may be included in an assessment in respect of a liability under this section; and such an assessment made in relation to an amount is not out of time if made within the period of three years beginning with the date on which the person assessed first became liable to pay the amount.
- (7) “Relevant personal pension contributions” means contributions under a pension scheme (whether or not the pension scheme from which the transfer value was received) which <sup>F766</sup>... was not an occupational pension scheme.
- (8) “Relevant controlling director contributions” means contributions under an occupational pension scheme (whether or not the pension scheme from which the transfer value was received) made by reference to service (or remuneration in respect of service) as a controlling director of a company that was a sponsoring employer.
- (9) A person is a “controlling director” of a company if the person is a director of the company and is within [<sup>F767</sup>section 452(2)(b) of the Corporation Tax Act 2010] (director able to control 20% of ordinary share capital) in relation to the company.
- (10) References to receipt of a transfer value by the pension scheme are to the transfer, so as to become held for the purposes of or to represent rights under the pension scheme, of any sums or assets held for the purposes of or representing accrued rights under any other pension scheme.
- [<sup>F768</sup>(11) For the purposes of this section whether a person is connected with another person is determined in accordance with section 993 of ITA 2007.]

#### Textual Amendments

**F764** S. 273(1A) inserted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 20](#)

**F765** Words in s. 273(5)(a) repealed (retrospective to 6.4.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 4\(a\)24\(1\)](#), [Sch. 27 Pt. 3\(2\)](#)

**F766** Words in s. 273(7) repealed (retrospective to 6.4.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 4\(b\)24\(1\)](#), [Sch. 27 Pt. 3\(2\)](#)

**F767** Words in s. 273(9) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1 para. 428](#) (with [Sch. 2](#))

*Status: Point in time view as at 06/04/2021.*

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**F768** S. 273(11) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 478](#) (with [Sch. 2](#))

**Modifications etc. (not altering text)**

**C158** S. 273 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\), regs. 1\(1\), 3\(1\)\(2\), Sch. 3 Pt. 1](#)

**C159** S. 273 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\), regs. 1, 28](#)

**C160** S. 273 applied (with modifications) (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\), regs. 1\(1\), 3\(6\)](#)

**Commencement Information**

**I121** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

**[<sup>F769</sup>273ZA] Income and gains from taxable property**

- (1) The Treasury may make regulations in relation to cases where—
  - (a) an investment-regulated pension scheme holds an interest in taxable property,
  - (b) the pension scheme is non-UK resident, and
  - (c) the property is not located in the United Kingdom.
- (2) The regulations may make provision for a member of the pension scheme for the purposes of whose arrangement the interest is held to be liable to the scheme sanction charge so far as relating to a scheme chargeable payment treated as made by the pension scheme—
  - (a) under section 185A (income from taxable property) by virtue of the pension scheme holding the interest in the property, or
  - (b) under section 185F (gains from taxable property) by virtue of a gain treated as accruing to the pension scheme in respect of the interest in the property.
- (3) The regulations may make provision—
  - (a) for the member to be liable to all of the scheme sanction charge arising by virtue of the scheme chargeable payment or to the charge to such extent as the regulations may provide,
  - (b) for the charge to be apportioned between members of the pension scheme where the interest in the property is held for the purposes of more than one arrangement under the pension scheme, and
  - (c) for the scheme administrator not to be liable to the scheme sanction charge or not to be liable to the charge to such extent as the regulations may provide.
- (4) The regulations may make provision for cases where—
  - (a) a member of a pension scheme would otherwise be liable to the scheme sanction charge arising by virtue of a scheme chargeable payment treated as made by the pension scheme under section 185F in a tax year,
  - (b) the member does not meet such conditions as to residence in the tax year as the regulations may prescribe,
  - (c) the member meets those conditions in a subsequent tax year, and
  - (d) such other conditions as the regulations may prescribe are met.
- (5) The regulations may make provision for the member—

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- (a) not to be liable to the scheme sanction charge in the tax year in which the scheme chargeable payment is treated as made, but
  - (b) to be liable in a subsequent tax year to such extent as the regulations may provide to the scheme sanction charge arising by virtue of the payment.
- (6) The regulations may—
- (a) amend this Part (apart from this section),
  - (b) include provision having effect in relation to times before they are made,
  - (c) contain transitional provisions and savings, and
  - (d) make different provision for different cases.
- (7) For the purposes of this section a pension scheme is non-UK resident if it is established in a country or territory outside the United Kingdom.]

#### Textual Amendments

**F769** S. 273ZA inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 158(2), [Sch. 21 para. 10](#)

#### [<sup>F770</sup>273A] Insurance company liable as scheme administrator

- (1) The Board of Inland Revenue may make regulations in relation to cases where an insurance company makes a payment of—
- (a) a pension protection lump sum death benefit,
  - (b) an annuity protection lump sum death benefit, <sup>F771</sup>...
  - [<sup>F772</sup>(c) a drawdown pension fund lump sum death benefit,][<sup>F773</sup>or
  - (d) a flexi-access drawdown fund lump sum death benefit,]
- which (by virtue of section 161(3) and (4)) is treated for the purposes of Chapter 3 as made by a registered pension scheme.
- (2) The regulations may provide that the insurance company—
- (a) is to be treated as the scheme administrator for the purposes of the operation of section 206 in relation to the lump sum death benefit, and
  - (b) is responsible for the discharge of all obligations imposed on the scheme administrator by or under this Part so far as related to the liability imposed by that section to pay tax in respect of it.
- (3) Where an insurance company is liable to pay any tax or interest, or is responsible for the discharge of any other obligation, by virtue of regulations under this section, no other person is liable to pay that tax, or responsible for the discharge of that obligation, under sections 270 to 273.]

#### Textual Amendments

**F770** S. 273A inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 49\(1\)](#), 64(1)

**F771** Word in s. 273A(1)(b) omitted (17.12.2014) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 17\(a\)](#)

**F772** S. 273A(1)(c) substituted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 76](#)

**F773** S. 273A(1)(d) and preceding word inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 17\(b\)](#)

*Status: Point in time view as at 06/04/2021.*

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## **[<sup>F774</sup>273B] Power of trustees or managers to make certain payments**

- (1) Subsection (2) applies to a payment by a registered pension scheme to or in respect of a person who is or has been a member of the scheme if it is paid in respect of a money purchase arrangement and is—
- (a) a payment of drawdown pension,
  - (b) paid to purchase a short-term annuity,
  - (c) a payment of dependants' drawdown pension,
  - (d) paid to purchase a dependants' short-term annuity,
  - (e) a payment of nominees' drawdown pension,
  - (f) paid to purchase a nominees' short-term annuity,
  - [<sup>F775</sup>(fa) paid to purchase a nominees' annuity,
  - (fb) paid to purchase a successors' annuity,]
  - (g) a payment of successors' drawdown pension,
  - (h) paid to purchase a successors' short-term annuity,
  - (i) an uncrystallised funds pension lump sum,
  - (j) a flexi-access drawdown fund lump sum death benefit,
  - (k) a pension commencement lump sum where the person becomes entitled to it in connection with becoming entitled to income withdrawal (or where the person dies after becoming entitled to it but before becoming entitled to the income withdrawal in connection with which it was expected that the person would become entitled to the lump sum), or
  - (l) a trivial commutation lump sum death benefit where condition B in paragraph 20(1B) of Schedule 29 is met.
- (2) The trustees or managers of the scheme may make the payment despite any provision of the rules of the scheme (however framed) prohibiting the making of the payment.]

### **Textual Amendments**

**F774** S. 273B inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\), Sch. 1 para. 79](#)

**F775** S. 273B(1)(fa)(fb) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\), Sch. 4 para. 11](#)

## **274 Supplementary**

- (1) The fact that any person is liable to pay any tax or interest, or is responsible for the discharge of any other obligation, under section 272 (trustees etc.)<sup>F776</sup>, section 272C(7)] or section 273 (members) does not relieve any other person of any liability to pay the tax or interest, or any obligation to discharge the obligation, arising—
- (a) by reason of that other person being, or being one of the persons who is, the scheme administrator of the pension scheme, or
  - (b) under section 271(4) (continuation of liability where no scheme administrator)<sup>F777</sup>, section 272C(3) or (4)].
- (2) Where a liability imposed on the scheme administrator of a registered pension scheme falls to be satisfied by two or more persons (whether or not they constitute the scheme administrator), they are jointly and severally liable.

*Status: Point in time view as at 06/04/2021.*

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- (3) No liability to pay tax or interest, or other obligation, of any person in relation to a registered pension scheme arising—
- (a) by reason of the person being, or being one of the persons who is, the scheme administrator of the pension scheme concerned, or
  - (b) under section 271(4), 272<sup>[F778]</sup>, 272C] or 273 <sup>[F779]</sup> or regulations under section 273A],
- is affected by the termination of the pension scheme or by its ceasing to be a registered pension scheme.

#### Textual Amendments

- F776** Word in s. 274(1) inserted (17.7.2014) by Finance Act 2014 (c. 26), Sch. 7 para. 21(2)(a)  
**F777** Words in s. 274(1)(b) inserted (17.7.2014) by Finance Act 2014 (c. 26), Sch. 7 para. 21(2)(b)  
**F778** Word in s. 274(3)(b) inserted (17.7.2014) by Finance Act 2014 (c. 26), Sch. 7 para. 21(3)  
**F779** Words in s. 274(3)(b) inserted (6.4.2006) by Finance Act 2005 (c. 7), Sch. 10 paras. 49(2), 64(1)

#### Modifications etc. (not altering text)

- C161** S. 274 modified (6.4.2006) by The Registered Pension Schemes (Splitting of Schemes) Regulations 2006 (S.I. 2006/569), regs. 1(1), 3(1)(2), Sch. 3 Pt. 1  
**C162** S. 274(2) applied (with modifications) (6.4.2006) by The Registered Pension Schemes (Splitting of Schemes) Regulations 2006 (S.I. 2006/569), regs. 1(1), 3(7)

#### Commencement Information

- I122** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## CHAPTER 8

### SUPPLEMENTARY

#### <sup>[F780]</sup> National Employment Savings Trust and Master Trust schemes

#### Textual Amendments

- F780** S. 274B and cross-heading inserted (15.3.2018) by virtue of Finance Act 2018 (c. 3), Sch. 3 paras. 1(5), 2(3) (with Sch. 3 para. 4)

### 274B National Employment Savings Trust and Master Trust schemes

- (1) This Part applies in relation to a pension scheme that—
- (a) is established under section 67 of the Pensions Act 2008, and
  - (b) is not an occupational pension scheme,
- as it applies in relation to an occupational pension scheme.
- (2) This Part applies in relation to a pension scheme that—
- (a) is a Master Trust scheme, and
  - (b) is not an occupational pension scheme,

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as it applies in relation to an occupational pension scheme.]

*Interpretation*

[<sup>F781</sup>**274A** **Power to split schemes**

- (1) The Board of Inland Revenue may make regulations for and in connection with treating registered pension schemes to which this section applies as if they were a number of separate registered pension schemes for such of the purposes of this Part and of provision made under it as are prescribed by the regulations.
- (2) This section applies to pension schemes prescribed, or of a description prescribed, by the regulations.
- (3) The provision that may be made by the regulations may, in particular, include—
  - (a) provision as to who is to be treated as the scheme administrator in relation to each of the separate pension schemes, and
  - (b) any such other modifications of the provision made by and under this Part as appears appropriate in consequence of, or otherwise in connection with, provision made under subsection (1) (including provision so made by virtue of paragraph (a) of this subsection).
- (4) The regulations may make different provision for different cases.]

**Textual Amendments**

**F781** S. 274A inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 50](#), 64(1)

**275 Insurance company**

- (1) In this Part “insurance company” means—
  - (a) a person who has permission under Part 4 of FISMA 2000 to effect or carry out contracts of long-term insurance, <sup>F782</sup> ...
  - <sup>F783</sup>(b) .....
- (2) “Contracts of long-term insurance” means contracts which fall within Part 2 of Schedule 1 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (S.I. 2001/544).

**Textual Amendments**

**F782** Word in s. 275(1)(a) omitted (31.12.2020) by virtue of [The Taxes \(Amendments\) \(EU Exit\) Regulations 2019 \(S.I. 2019/689\)](#), [regs. 1, 12\(3\)\(a\)](#) (with [regs. 39-41](#)); 2020 c. 1, [Sch. 5 para. 1\(1\)](#)

**F783** S. 275(1)(b) omitted (31.12.2020) by virtue of [The Taxes \(Amendments\) \(EU Exit\) Regulations 2019 \(S.I. 2019/689\)](#), [regs. 1, 12\(3\)\(b\)](#) (with [regs. 39-41](#)); 2020 c. 1, [Sch. 5 para. 1\(1\)](#)

**Modifications etc. (not altering text)**

**C163** S. 275 modified (6.4.2006) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\) Regulations 2006 \(S.I. 2006/207\)](#), [regs. 1\(1\), 11](#)

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## 276 Relevant valuation factor

- (1) For the purposes of this Part the relevant valuation factor in relation to any registered pension scheme, or any arrangement under a registered pension scheme, is 20.
- (2) But the Inland Revenue and the scheme administrator of any registered pension scheme may agree that the relevant valuation factor in relation to the pension scheme, or any arrangement under the pension scheme, is to be a number greater than 20.

### Modifications etc. (not altering text)

**C164** S. 276 modified (6.4.2006) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\) Regulations 2006 \(S.I. 2006/207\)](#), regs. 1(1), 12

## 277 Valuation assumptions

For the purposes of this Part the valuation assumptions in relation to a person, benefits and a date are—

- (a) if the person has not reached such age (if any) as must have been reached to avoid any reduction in the benefits on account of age, that the person reached that age on the date, and
- (b) that the person's right to receive the benefits had not been occasioned by physical or mental impairment.

## 278 Market value

- (1) For the purposes of this Part the market value of an asset held for the purposes of a pension scheme is to be determined in accordance with section 272 of TCGA 1992.
  - (2) Where an asset held for the purposes of a pension scheme is a right or interest in respect of any money lent (directly or indirectly) to any relevant associated person, the value of the asset is to be treated as being the amount owing (including any unpaid interest) on the money lent.
  - (3) The following are “relevant associated persons”—
    - (a) any employer who has at any time (whether or not before the making of the loan) made contributions under the pension scheme,
    - (b) any company connected (at the time of the making of the loan or subsequently) with any such employer,
    - (c) any person who has at any time (whether or not before the making of the loan) been a member of the pension scheme, and
    - (d) any person connected (at the time of the making of the loan or subsequently) with any such person.
- [<sup>F784</sup>(3A) For the purposes of this Part the market value of taxable property, or of an interest in taxable property, is to be determined in accordance with section 272 of TCGA 1992.
- (3B) Subsection (3A) is subject to any provision made by regulations under paragraph 36(2) of Schedule 29A.]
- [<sup>F785</sup>(4) For the purposes of this section whether a person is connected with another person is determined in accordance with section 993 of ITA 2007.]

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### Textual Amendments

**F784** S. 278(3A)(3B) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 158(2), [Sch. 21 para. 11](#)

**F785** S. 278(4) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 479](#) (with [Sch. 2](#))

## 279 Other definitions

(1) In this Part—

[<sup>F786</sup>“abatement”, in relation to a scheme pension [<sup>F787</sup>to which a person has become entitled] under a public service pension scheme, means the reduction of the pension (including its reduction to nil) in accordance with the rules of the pension scheme by reason of [<sup>F788</sup>the person's employment] in public service,]

“the Board of Inland Revenue” means the Commissioners of Inland Revenue,

[<sup>F789</sup>“consumer prices index” means—

- (a) the general index for consumer prices published by the Statistics Board, or
- (b) if that index is not published for a relevant month, any substituted index or index figures published by the Statistics Board,]

<sup>F790</sup> ...

“employee” and “employer” have the same meaning as in the employment income Parts of ITEPA 2003 (see sections 4 and 5 of that Act) but include (respectively) a former employee and a former employer (and “employment” is to be read accordingly),

“the Inland Revenue” means any officer of the Board of Inland Revenue,

“normal minimum pension age” means—

- (a) before 6th April 2010, 50, and
- (b) on and after that date, 55,

“pension credit” and “pension debit” have the same meaning as in Chapter 1 of Part 4 of WRPA (see section 46(1) of that Act) or Chapter 1 of Part 5 of WRP(NI)O 1999 (see Article 43(1) of that Order), [<sup>F791</sup>and]

“pension sharing order or provision” means any order or provision mentioned in section 28(1) of WRPA 1999 or Article 25(1) of WRP(NI)O 1999,

[<sup>F789</sup>“pensionable age” has the meaning given by the rules in paragraph 1 of Schedule 4 to the Pensions Act 1995 or paragraph 1 of Schedule 2 to the Pensions (Northern Ireland) Order 1995,]

[<sup>F792</sup>“Scottish basic rate limit” means a rate limit set by the Scottish Parliament under section 80C(2A) of the Scotland Act 1998 for the purposes of determining the extent to which a Scottish taxpayer's income is charged at the Scottish basic rate where a Scottish rate resolution under that Act has set more than one rate for the tax year.]

<sup>F793</sup> ...



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[<sup>F794</sup>(1A) In this Part, so far as it forms part of the Corporation Tax Acts, expressions which are defined for the purposes of the Income Tax Acts are to be given the same meaning as they have in the Income Tax Acts.]

[<sup>F795</sup>(1B) In this Part “Master Trust scheme” means a pension scheme—

- (a) that is a Master Trust scheme within the meaning of the Pension Schemes Act 2017 (see sections 1 and 2 of that Act) or corresponding provision in force in Northern Ireland, and
- (b) whose operation would be unlawful under Part 1 of that Act (Master Trusts), or corresponding provision in force in Northern Ireland, were the scheme not authorised under that Part or that corresponding provision.

(1C) For the purposes of determining whether the condition in subsection (1B)(b) is met, the following are to be ignored—

- (a) any regulations under section 40 of the Pension Schemes Act 2017 (regulations modifying application of Part 1 of that Act);
- (b) any provision in force in Northern Ireland corresponding to regulations that could be made under that section.

(1D) For the purposes of this Part a Master Trust scheme is “unauthorised” if—

- (a) it is not authorised under Part 1 of the Pension Schemes Act 2017 or corresponding provision in force in Northern Ireland, and
- (b) its operation would be unlawful under that Part or that corresponding provision without such authorisation.

(1E) Section 1169 of the Companies Act 2006 (dormant companies) applies for the purposes of this Part.]

(2) In this Part references to payments made, or benefits provided, by a pension scheme are to payments made or benefits provided from sums or assets held for the purposes of the pension scheme.

(3) For the purposes of this Part the sums and assets held for the purposes of an arrangement under a pension scheme are so much of the sums and assets held for the purposes of the pension scheme under which the arrangement is made as are properly attributable, in accordance with the provisions of the pension scheme and any just and reasonable apportionment, to the arrangement.

#### Textual Amendments

**F786** Words in s. 279(1) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 9](#), 64(1)

**F787** Words in s. 279(1) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 33\(a\)](#)

**F788** Words in s. 279(1) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 33\(b\)](#)

**F789** Words in s. 279(1) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 21](#)

**F790** Words in s. 279(1) repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 480\(2\)\(a\)](#), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

**F791** Word in s. 279(1) inserted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 480\(2\)\(b\)](#) (with [Sch. 2](#))

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- F792** Words in s. 279(1) inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), **6**
- F793** Words in s. 279(1) repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 480\(2\)\(c\)](#), **Sch. 3 Pt. 1** (with [Sch. 2](#))
- F794** S. 279(1A) inserted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 1 para. 480(3)** (with [Sch. 2](#))
- F795** S. 279(1B)-(1E) inserted (15.3.2018 for specified purposes, 6.4.2018 in so far as not already in force) by [Finance Act 2018 \(c. 3\)](#), **Sch. 3 paras. 1(6), 2(1)(c)(2)(c)(3)** (with [Sch. 3 para. 3](#))

**Modifications etc. (not altering text)**

- C165** S. 279 modified (6.4.2006) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\) Regulations 2006 \(S.I. 2006/207\)](#), regs. 1(1), **13**

**280 Abbreviations and general index**

(1) In this Part—

- “NIA 1965” means the National Insurance Act 1965 (c. 51),
- “NIA(NI) 1966” means the National Insurance Act (Northern Ireland) 1966 (c. 6 (N.I.)),
- “TMA 1970” means the Taxes Management Act 1970 (c. 9),
- “ICTA 1970” means the Income and Corporation Taxes Act 1970 (c. 10),
- “ICTA” means the Income and Corporation Taxes Act 1988 (c. 1),
- “SSCBA 1992” means the Social Security Contributions and Benefits Act 1992 (c. 4),
- “SSCB(NI)A 1992” means the Social Security Contributions and Benefits (Northern Ireland) Act 1992 (c. 7),
- “TCGA 1992” means the Taxation of Chargeable Gains Act 1992 (c. 12),
- “WRPA 1999” means the Welfare Reform and Pensions Act 1999 (c. 30),
- “WRP(NI)O 1999” means the Welfare Reform and Pensions (Northern Ireland) Order 1999 (S.I. 1999/ 3147 (N.I. 11)),
- <sup>F796</sup>“FISMA 2000” means the Financial Services and Markets Act 2000 (c. 8), ...
- <sup>F797</sup>“ITEPA 2003” means the Income Tax (Earnings and Pensions) Act 2003 (c. 1), ...
- <sup>F798</sup><sup>F799</sup>“ITTOIA 2005” means the Income Tax (Trading and Other Income Act) 2005] ...
- <sup>F800</sup>“ITA 2007” means the Income Tax Act 2007],
- <sup>F801</sup><sup>F802</sup>“FA 2008” means the Finance Act 2008, ] ...
- <sup>F803</sup>“CTA 2009” means the Corporation Tax Act 2009][<sup>F804</sup> and
- “CTA 2010” means the Corporation Tax Act 2010]
- <sup>F805</sup>“FA 2012” means the Finance Act 2012]

(2) In this Part the following expressions are defined or otherwise explained by the provisions indicated—

<sup>F806</sup> abatement	section 279(1)]
accounting period	section 834(1) of ICTA

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[ <sup>F807</sup> acquiring an interest in property (for the purposes of the taxable property provisions)	paragraphs 12 and 27 to 29 of Schedule 29A]
active member (of a pension scheme)	section 151(2)
active membership period (in sections 221 to 223)	section 221(4) and (5)
[ <sup>F808</sup> additional rate	section 6(2) of ITA 2007 (as applied by section 989 of that Act)]
amount crystallised	section 216
annual allowance	section 228
annual allowance charge	section 227(1)
annuity protection lump sum death benefit	paragraph 16 of Schedule 29
arrangement	section 152(1)
authorised surplus payment	section 177
available (in relation to a person's lifetime allowance)	section 219
basic rate	[ <sup>F809</sup> section 6(2) of ITA 2007 (as applied by section 989 of that Act)]
basic rate limit	[ <sup>F810</sup> section [ <sup>F811</sup> 10] of ITA 2007 (as applied by section 989 of that Act)]
benefits (provided by pension scheme)	section 279(2)
benefit crystallisation event	section 216
the Board of Inland Revenue	section 279(1)
borrowing (in Chapter 3)	section 163
[ <sup>F807</sup> building (for the purposes of the taxable property provisions)	paragraph 7(2) of Schedule 29A]
cash balance arrangement	section 152(3)
cash balance benefits	section 152(5)
chargeable gain	[ <sup>F812</sup> section 989 of ITA 2007]
charity	[ <sup>F813</sup> section 989 of ITA 2007]
company	[ <sup>F814</sup> section 992 of ITA 2007]
compensation payment	section 178
[ <sup>F815</sup> consumer prices index	section 279(1)]
contribution	sections 188(4) to (6) and 195
defined benefits	section 152(7)
defined benefits arrangement	section 152(6)
defined benefits lump sum death benefit	paragraph 13 of Schedule 29

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F816	F816
...	...
[ <sup>F817</sup> dependant (of a member of a registered pension scheme)]	paragraph 15 of Schedule 28]
[ <sup>F818</sup> dependants' annuity]	paragraph 17 of Schedule 28]
[ <sup>F819</sup> dependant's flexi-access drawdown fund]	paragraph 22A of Schedule 28]
dependants' scheme pension	paragraph 16 of Schedule 28
[ <sup>F818</sup> dependants' short-term annuity]	paragraph 20 of Schedule 28]
F820	F820
...	...
[ <sup>F821</sup> dependant's drawdown pension fund]	paragraph 22 of Schedule 28]
[ <sup>F822</sup> dormant (in relation to a body corporate)]	section 279(1E)]
[ <sup>F823</sup> drawdown pension fund lump sum death benefit]	paragraph 17 of Schedule 29]
employee and employer (and employment)	section 279(1)
employment income	section 7(2) of ITEPA 2003
enhanced lifetime allowance regulations	section 256(2)
entitled (in relation to a lump sum)	section 166(2)
entitled (in relation to a pension)	section 165(3)
[ <sup>F819</sup> flexi-access drawdown fund lump sum death benefit]	paragraph 17A of Schedule 29]
higher rate	[ <sup>F824</sup> section 6(2) of ITA 2007 (as applied by section 989 of that Act)]
[ <sup>F825</sup> higher rate limit]	section 10 of ITA 2007]
[ <sup>F807</sup> holding an interest in a person (for the purposes of the taxable property provisions)]	paragraph 16(2) to (4) of Schedule 29A]
[ <sup>F807</sup> holding an interest in property (for the purposes of the taxable property provisions)]	paragraph 13 of Schedule 29A]
[ <sup>F807</sup> holding directly an interest in a vehicle (for the purposes of the taxable property provisions)]	paragraph 20(3) of Schedule 29A]
[ <sup>F807</sup> holding directly an interest in property (for the purposes of the taxable property provisions)]	paragraphs 14 and 15 of Schedule 29A]

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[ <sup>F807</sup> holding indirectly an interest in a vehicle (for the purposes of the taxable property provisions)	paragraph 20(4) of Schedule 29A]
[ <sup>F807</sup> holding indirectly an interest in property (for the purposes of the taxable property provisions)	paragraph 16(1) of Schedule 29A]
hybrid arrangement	section 152(8)
ill-health condition	paragraph 1 of Schedule 28
the individual (in sections 215 to 219)	section 214(5)
the Inland Revenue	section 279(1)
insurance company	section 275
[ <sup>F807</sup> investment-regulated pension scheme (for the purposes of the taxable property provisions)	paragraphs 1 to 3 of Schedule 29A]
investments (in relation to a pension scheme)	section 186(3) and (4)
liability (in Chapter 3)	section 163
lifetime allowance (in relation to a person)	section 218
lifetime allowance charge	section 214(1)
lifetime allowance enhancement factors	section 218(5)
lifetime allowance excess lump sum	paragraph 11 of Schedule 29
lifetime annuity	paragraph 3 of Schedule 28
loan (in Chapter 3)	section 162
lump sum death benefit	section 168(2)
market value	section 278
[ <sup>F822</sup> Master Trust scheme	section 279(1B) and (1C)]
member (of a pension scheme)	section 151(1)
<sup>F816</sup>	<sup>F816</sup>
...	...
[ <sup>F821</sup> member's drawdown pension fund	paragraph 8 of Schedule 28]
[ <sup>F819</sup> member's flexi-access drawdown fund	paragraph 8A of Schedule 28]
member's unsecured pension fund	paragraph 8 of Schedule 28
money purchase arrangement	section 152(2)
money purchase benefits	section 152(4)
[ <sup>F826</sup> net income	section 23 of ITA 2007 (as applied by section 989 of that Act),]
net pay pension scheme	section 191(9)

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[ <sup>F817</sup> nominee (of a member of a registered pension scheme)	paragraph 27A of Schedule 28]
[ <sup>F827</sup> nominees' annuity	paragraph 27AA of Schedule 28]
[ <sup>F817</sup> nominees' drawdown pension	paragraph 27B of Schedule 28]
[ <sup>F817</sup> nominee's flexi-access drawdown fund	paragraph 27E of Schedule 28]
[ <sup>F817</sup> nominees' income withdrawal	paragraph 27D of Schedule 28]
[ <sup>F817</sup> nominees' short-term annuity	paragraph 27C of Schedule 28]
normal minimum pension age	section 279(1)
occupational pension scheme	section 150(5)
overseas arrangement active membership period (in sections 224 to 226)	section 224(7) and (8)
overseas pension scheme	section 150(7)
payment (in Chapter 3)	section 161
payments (made by pension scheme)	section 279(2)
pension	section 165(2)
[ <sup>F815</sup> pensionable age	section 279(1)]
pension commencement lump sum	paragraph 1 of Schedule 29
pension credit and pension debit	section 279(1)
[ <sup>F828</sup> pension death benefit	section 167(2)]
pension input amount	section 229
pension input period	[ <sup>F829</sup> sections 238 to 238ZB]
pension protection lump sum death benefit	paragraph 14 of Schedule 29
pension scheme	section 150(1)
the pension scheme (in sections 215 to 219)	section 214(5)
pension sharing order or provision	section 279(1)
pensioner member (of a pension scheme)	section 151(3)
period of account	[ <sup>F830</sup> section 989 of ITA 2007]
personal representatives	[ <sup>F831</sup> section 989 of ITA 2007]
property investment LLP	[ <sup>F832</sup> section 1004 of ITA 2007]
public service pension scheme	section 150(3)
qualifying recognised overseas pension scheme	section 169(2)
recognised overseas pension scheme	section 150(8)

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recognised overseas scheme arrangement (insections 224 to 226)	section 224(2) and (3)
registered pension scheme	section 150(2)
[ <sup>F833</sup> related dependants' annuity	paragraph 3(4A) of Schedule 29]
[ <sup>F827</sup> related nominees' annuity	paragraph 3(4B) of Schedule 29 ]
[ <sup>F834</sup> related dependants' scheme pension	paragraph 3(7C) of Schedule 29]
relevant overseas individual	section 221(3)
relevant UK earnings	section 189(2)
relevant UK individual	section 189
relevant valuation factor	section 276
relievable pension contributions	section 188(2) and (3)
[ <sup>F807</sup> residential property (for the purposes of the taxable property provisions)	paragraphs 7(1), 8 and 9 of Schedule 29A]
retail prices index	[ <sup>F835</sup> section 989 of ITA 2007]
scheme administrator	section 270 (but see also sections 271 to 274)
scheme chargeable payment	section 241
[ <sup>F807</sup> scheme-held taxable property	section 185B(3)]
scheme manager	section 169(3)
scheme pension	paragraph 2 of Schedule 28
scheme sanction charge	section 239(1)
F836	F836
...	...
F836	F836
...	...
F836	F836
...	...
[ <sup>F837</sup> Scottish taxpayer	section 989 of ITA 2007]
serious ill-health lump sum	paragraph 4 of Schedule 29
F838	F838
...	...
short service refund lump sum	paragraph 5 of Schedule 29
short service refund lump sum charge	section 205(1)
[ <sup>F818</sup> short-term annuity	paragraph 6 of Schedule 28]
special lump sum death benefits charge	section [ <sup>F839</sup> 206]
sponsoring employer	section 150(6)
standard lifetime allowance	section 218(2) [ <sup>F840</sup> to (2C)]

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[ <sup>F817</sup> successor (of a member of a registered pension scheme)	paragraph 27F of Schedule 28]
[ <sup>F827</sup> successors' annuity	paragraph 27FA of Schedule 28]
[ <sup>F817</sup> successors' drawdown pension	paragraph 27G of Schedule 28]
[ <sup>F817</sup> successor's flexi-access drawdown fund	paragraph 27K of Schedule 28]
[ <sup>F817</sup> successors' income withdrawal	paragraph 27J of Schedule 28]
[ <sup>F817</sup> successors' short-term annuity	paragraph 27H of Schedule 28]
sums and assets held for the purposes of an arrangement	section 279(3)
[ <sup>F807</sup> sums and assets held for the purposes of an arrangement (for the purposes of the taxable property provisions)	paragraph 5 of Schedule 29A]
[ <sup>F807</sup> taxable property (for the purposes of the taxable property provisions)	paragraphs 6, 10 and 11 of Schedule 29A]
[ <sup>F807</sup> the taxable property provisions	paragraph 1(3) of Schedule 29A]
tax year	[ <sup>F841</sup> section 4(2) of ITA 2007 (as applied by section 989 of that Act)]
the tax year 2006-07 etc.	[ <sup>F842</sup> section 4(4) of ITA 2007 (as applied by section 989 of that Act)]
total income	[ <sup>F843</sup> section 23 of ITA 2007 (as applied by section 989 of that Act)]
total pension input amount	section 229
F844	F844
...	...
[ <sup>F845</sup> transitional 2013/14 lump sum	paragraph 11A of Schedule 29]
trivial commutation lump sum	paragraph 7 of Schedule 29
unauthorised employer payment	section 160(4)
[ <sup>F822</sup> unauthorised (in relation to a Master Trust scheme)	section 279(1D)]
unauthorised member payment	section 160(2)
unauthorised payment	section 160(5)
unauthorised payments charge	section 208(1)
unauthorised payments surcharge	section 209(1)
uncrystallised funds lump sum death benefit	paragraph 15 of Schedule 29
[ <sup>F846</sup> uncrystallised funds pension lump sum	paragraph 4A of Schedule 29]
F847	F847



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...	...
valuation assumptions (in relation to a person)	section 277
[ <sup>F807</sup> vehicle (in the taxable property provisions)	paragraph 20(2) of Schedule 29A]
winding-up lump sum	paragraph 10 of Schedule 29
winding-up lump sum death benefit	paragraph 21 of Schedule 29

### Textual Amendments

- F796** Word in s. 280(1) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 652, Sch. 3](#) (with Sch. 2)
- F797** Word in s. 280(1) repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 481\(2\), Sch. 3 Pt. 1](#) (with Sch. 2)
- F798** Word in s. 280(1) repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 1 para. 580\(a\), Sch. 3 Pt. 1](#) (with Sch. 2 Pts. 1, 2)
- F799** Words in s. 280(1) inserted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 652](#) (with Sch. 2)
- F800** Words in s. 280(1) inserted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 481\(2\)](#) (with Sch. 2)
- F801** Word in s. 280(1) omitted (17.7.2012) by virtue of [Finance Act 2012 \(c. 14\), Sch. 16 para. 122\(a\)](#); same word omitted (with effect in accordance with Sch. 13 para. 17 of the amending Act) by virtue of [Finance Act 2012 \(c. 14\), Sch. 13 para. 16\(a\)](#) (with Sch. 13 Pt. 4) (and see also [Finance Act 2012 \(c. 14\), Sch. 13 para. 2\(a\)](#))
- F802** Words in s. 280(1) inserted (17.7.2013) by [Finance Act 2013 \(c. 29\), s. 53\(8\)](#)
- F803** Words in s. 280(1) inserted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 1 para. 580\(b\)](#) (with Sch. 2 Pts. 1, 2)
- F804** Words in s. 280(1) inserted (with effect in accordance with Sch. 13 para. 17 of the amending Act) by [Finance Act 2012 \(c. 14\), Sch. 13 para. 16\(b\)](#) (with Sch. 13 Pt. 4) (and see also [Finance Act 2012 \(c. 14\), Sch. 13 para. 2\(b\)](#))
- F805** Words in s. 280(1) inserted (17.7.2012) by [Finance Act 2012 \(c. 14\), Sch. 16 para. 122\(b\)](#)
- F806** Words in s. 280(2) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\), Sch. 10 paras. 10, 64\(1\)](#)
- F807** Words in s. 280(2) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 158\(2\), Sch. 21 para. 12](#)
- F808** Words in s. 280(2) inserted (with effect in accordance with s. 68(5) of the amending Act) by [Finance Act 2010 \(c. 13\), s. 68\(2\)](#)
- F809** Words in s. 280(2) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 481\(3\)\(a\)](#) (with Sch. 2)
- F810** Words in s. 280(2) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 481\(3\)\(b\)](#) (with Sch. 2)
- F811** Word in s. 280(2) substituted (with effect in accordance with s. 68(6) of the amending Act) by [Finance Act 2010 \(c. 13\), s. 68\(3\)](#)
- F812** Words in s. 280(2) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 481\(3\)\(c\)](#) (with Sch. 2)
- F813** Words in s. 280(2) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 481\(3\)\(d\)](#) (with Sch. 2)
- F814** Words in s. 280(2) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 481\(3\)\(e\)](#) (with Sch. 2)
- F815** Words in s. 280(2) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\), Sch. 17 para. 22](#)

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- F816** S. 280(2) entries omitted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 77\(2\)](#)
- F817** Words in s. 280(2) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 14](#)
- F818** Words in s. 280(2) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 17](#), 64(1)
- F819** Words in s. 280(2) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 18](#)
- F820** S. 280(2) entries omitted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 77\(3\)](#)
- F821** S. 280(2) entries inserted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 77\(3\)](#)
- F822** Words in s. 280(2) Table inserted (15.3.2018 for specified purposes, 6.4.2018 in so far as not already in force) by [Finance Act 2018 \(c. 3\)](#), [Sch. 3 paras. 1\(7\)](#), 2(1)(d)(2)(d)(3)
- F823** S. 280(2) entry inserted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 77\(5\)](#)
- F824** Words in s. 280(2) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 481\(3\)\(f\)](#) (with [Sch. 2](#))
- F825** Words in s. 280(2) inserted (with effect in accordance with s. 68(5) of the amending Act) by [Finance Act 2010 \(c. 13\)](#), s. 68(4)
- F826** Words in s. 280(2) inserted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 481\(3\)\(g\)](#) (with [Sch. 2](#))
- F827** Words in s. 280(2) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 12](#)
- F828** Words in s. 280(2) inserted (retrospective to 6.4.2006) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 22\(2\)](#), 24(3)
- F829** Words in s. 280(2) Table substituted (18.11.2015) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 5](#)
- F830** Words in s. 280(2) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 481\(3\)\(h\)](#) (with [Sch. 2](#))
- F831** Words in s. 280(2) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 481\(3\)\(i\)](#) (with [Sch. 2](#))
- F832** Words in s. 280(2) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 481\(3\)\(j\)](#) (with [Sch. 2](#))
- F833** Words in s. 280(2) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 33](#), 64(1)
- F834** Words in s. 280(2) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 26](#)
- F835** Words in s. 280(2) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 481\(3\)\(k\)](#) (with [Sch. 2](#))
- F836** Words in s. 280(2) Table omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), 7
- F837** Words in s. 280(2) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Scottish Rate of Income Tax \(Consequential Amendments\) Order 2015 \(S.I. 2015/1810\)](#), arts. 1(1), 7(4)
- F838** Words in s. 280(2) Table omitted (with effect in accordance with Sch. 5 para. 4 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 5 para. 3\(1\)\(c\)](#)
- F839** Word in s. 280(2) entry substituted (6.4.2015) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 paras. 18](#), 20
- F840** Words in s. 280(2) Table substituted (15.9.2016) by [Finance Act 2016 \(c. 24\)](#), s. 19(6)
- F841** Words in s. 280(2) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 481\(3\)\(l\)](#) (with [Sch. 2](#))
- F842** Words in s. 280(2) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 481\(3\)\(m\)](#) (with [Sch. 2](#))
- F843** Words in s. 280(2) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 481\(3\)\(n\)](#) (with [Sch. 2](#))
- F844** S. 280(2) entry repealed (19.7.2007) (with effect in accordance with Sch. 19 para. 29(3) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), Sch. 19 para. 8, [Sch. 27 Pt. 3\(1\)](#)

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- F845** Words in s. 280(2) inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 5 paras. 5\(4\)](#), 15
- F846** Words in s. 280(2) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 56](#)
- F847** S. 280(2) entry omitted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 77\(5\)](#)

### *Other supplementary provisions*

## **281 Minor and consequential amendments**

- (1) Schedule 35 contains minor and consequential amendments of enactments in consequence of, or otherwise in connection with, this Part.
- (2) The Treasury may by order make such other amendments (including repeals and revocations) as may appear appropriate in consequence of, or otherwise in connection with, this Part—
  - (a) in any enactment contained in an Act passed before 6th April 2006 or in the Session in which that date falls, and
  - (b) in any instrument made before that date or in the Session in which that date falls.
- [<sup>F848</sup>(2A) The Treasury may by order make in any relevant enactment such amendments (including repeals and revocations) as may appear appropriate in consequence of, or otherwise in connection with, any amendment (or repeal or revocation) made in this Part by any enactment contained in an Act passed after this Act (an “amending Act”).
- (2B) For this purpose a relevant enactment is—
  - (a) an enactment contained in an Act passed, or
  - (b) an instrument made,before the passing of the amending Act or in the Session in which the amending Act is passed.]
- (3) An order under subsection (2) [<sup>F849</sup>or (2A)] may include any transitional provisions or savings appearing to the Treasury to be appropriate.
- <sup>F850</sup>(4) . . . . .

### **Textual Amendments**

- F848** S. 281(2A)(2B) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 34\(2\)](#)
- F849** Words in s. 281(3) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 34\(3\)](#)
- F850** S. 281(4) omitted (21.7.2009) by virtue of [Finance Act 2009 \(c. 10\)](#), s. 75(2)(b)

### **Commencement Information**

- I123** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

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## 282 Orders and regulations

- [<sup>F851</sup>(A1) Any order or regulations made by the Treasury or the Commissioners for Her Majesty's Revenue and Customs under this Part may include provision having effect in relation to times before the order is, or regulations are, made if that provision does not increase any person's liability to tax.
- (A2) Subsection (A1) does not limit any specific power to make provision by an order or regulations in relation to times before the order is, or regulations are, made.]
- (1) Any power of the Treasury or the [<sup>F852</sup>Commissioners for Her Majesty's Revenue and Customs] to make any order or regulations under this Part is exercisable by statutory instrument.
- [<sup>F853</sup>(1A) No order may be made under section 208(6), 209(7), 215(2A), [<sup>F854</sup>237B(11),] 240(3A) or 242(5)[<sup>F855</sup>, no order may be made under section 228(2) which specifies an amount for any tax year less than the annual allowance for the immediately preceding tax year and no order may be made under section 238A which increases any person's liability to tax] unless a draft of the statutory instrument containing it has been laid before, and approved by a resolution of, the House of Commons.]
- (2) Any statutory instrument containing any order or regulations made by the Treasury or the [<sup>F852</sup>Commissioners for Her Majesty's Revenue and Customs] under this Part [<sup>F856</sup>, if made without a draft having been approved by a resolution of the House of Commons,] is subject to annulment in pursuance of a resolution of the House of Commons.
- [<sup>F857</sup>(3) Subsection (2) does not apply to an instrument containing only regulations under section 218(2D).]

### Textual Amendments

- F851** S. 282(A1)(A2) inserted (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), [s. 75\(1\)](#)
- F852** Words in s. 282(1)(2) substituted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 5 paras. 14, 15](#)
- F853** S. 282(1A) inserted (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 2 para. 18\(2\)](#)
- F854** Word in s. 282(1A) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 23\(a\)](#)
- F855** Words in s. 282(1A) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 23\(b\)](#)
- F856** Words in s. 282(2) inserted (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 2 para. 18\(3\)](#)
- F857** S. 282(3) inserted (15.9.2016) by [Finance Act 2016 \(c. 24\)](#), [s. 19\(7\)](#)

### Modifications etc. (not altering text)

- C166** S. 282 modified (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 108\(2\)](#)

## 283 Transitionals and savings

- (1) Schedule 36 contains miscellaneous transitional provisions and savings.

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- (2) The Treasury may by order make any other transitional provision which may appear appropriate in consequence of, or otherwise in connection with, this Part or the repeals made by this Act in consequence of this Part.
- (3) An order under subsection (2) may, in particular, include savings from the effect of any amendment made by this Part or any repeal made by this Act in consequence of this Part.
- <sup>F858</sup>(3A) The Treasury may by order make any transitional provision which may appear appropriate in consequence of, or otherwise in connection with, any amendment (or repeal or revocation) made in this Part by any enactment contained in an Act passed after this Act (an “amending Act”).
- (3B) An order under subsection (3A) may, in particular, include savings from the effect of any amendment (or repeal or revocation) made by the amending Act.
- <sup>F859</sup>(3C) . . . . . ]
- (4) Nothing in Schedule 36 limits the power conferred by subsection (2) [<sup>F860</sup>or (3A)].
- (5) Nothing in that Schedule or in any provision made by virtue of subsection (2) [<sup>F861</sup>or (3A)] prejudices the operation of sections 16 and 17 of the Interpretation Act 1978 (c. 30) (effect of repeals).

**Textual Amendments**

- F858** S. 283(3A)-(3C) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 35\(2\)](#)
- F859** S. 283(3C) omitted (21.7.2009) by virtue of [Finance Act 2009 \(c. 10\)](#), [s. 75\(2\)\(c\)](#)
- F860** Words in s. 283(4) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 35\(3\)](#)
- F861** Words in s. 283(5) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 35\(3\)](#)

**284 Commencement**

- (1) Chapters 3 to 7 and section 281 (with Schedule 35) do not come into force until 6th April 2006.
- (2) But any power to make an order or regulations under any of those provisions may be exercised at any time after this Act is passed.

**PART 5**

**OIL**

**285 Certain receipts not to be tariff receipts**

- (1) The Oil Taxation Act 1983 (c. 56) is amended as follows.
- (2) In section 6(2) (meaning of tariff receipts) after “Subject to the provisions of this section” insert “ and section 6A below ”.

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(3) After section 6 insert—

**“6A Tax-exempt tariffing receipts**

- (1) An amount which is a tax-exempt tariffing receipt (see subsection (2) below) does not constitute a tariff receipt for the purposes of the Oil Taxation Acts.
- (2) An amount is a “tax-exempt tariffing receipt” for the purposes of the Oil Taxation Acts if—
  - (a) it would, apart from this section, be a tariff receipt of a participator in an oil field,
  - (b) it is received or receivable by the participator in a chargeable period ending on or after 30th June 2004 under a contract entered into on or after 9th April 2003, and
  - (c) it is in respect of tax-exempt business (see subsection (3) below).
- (3) For the purposes of this section an amount is in respect of tax-exempt business if it is an amount received or receivable by a participator in an oil field in respect of—
  - (a) the use of a qualifying asset, or
  - (b) the provision of services or other business facilities of whatever kind in connection with the use, otherwise than by the participator himself, of a qualifying asset,
 and that use of the qualifying asset falls within subsection (4) below.
- (4) Use of a qualifying asset falls within this subsection if it is—
  - (a) use in relation to a new field (see subsection (5) below) or oil won from such a field, or
  - (b) use in relation to a qualifying existing field (see subsection (5) below) or oil won from such a field.
- (5) In this section—
 

“existing field” means any oil field or foreign field which is not a new field;

“foreign field” means, subject to subsection (6) below (treatment of transmedian fields), any hydrocarbon accumulation which is not under the jurisdiction of the government of the United Kingdom;

“licensee”, in relation to a foreign field, means a person who has rights, interests or obligations in respect of the foreign field under a licence or other authority granted by the government of a country other than the United Kingdom;

“new field” means—

  - (a) an oil field for no part of which had—
    - (i) consent for development been granted to a licensee by the Secretary of State before 9th April 2003; or
    - (ii) a programme of development been served on a licensee or approved by the Secretary of State before that date; or
  - (b) a foreign field for no part of which had—

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- (i) any consent for development been granted to a licensee by the government of a country other than the United Kingdom before 9th April 2003; or
- (ii) a programme of development been served on a licensee or approved by such a government before that date;

and subsections (4) and (5) of section 36 of the Finance Act 1983 (which define “development” for the purposes of subsections (2) and (3) of that section) shall apply also for the purposes of this definition;

“the Oil Taxation Acts” means—

- (a) Parts 1 and 3 of the principal Act;
- (b) this Act; and
- (c) any other enactment relating to petroleum revenue tax;

“qualifying existing field” means an existing field as respects which the condition in section 6B(1) below is satisfied.

- (6) For the purposes of this section, in the case of an oil field which, by virtue of section 107 of the Finance Act 1980 (transmedian fields), is deemed to include the sector mentioned in subsection (1)(a)(ii) of that section—
  - (a) that sector shall be treated as a foreign field, and
  - (b) the remainder of that field shall be treated as a separate oil field.
- (7) In the application of provisions of the Oil Taxation Acts relating to tax-exempt tariffing receipts, references to oil, in relation to a foreign field, are references to any substance that would be oil within the meaning of the principal Act if the enactments mentioned in section 1(1) of that Act extended to the foreign field.
- (8) This section is subject to the transitional provisions in Part 2 of Schedule 37 to the Finance Act 2004 (expenditure incurred between 9th April and 31st December 2003: treatment of initial portion of tax-exempt tariffing receipts as tariff receipts).

#### **6B The condition for being a qualifying existing field**

- (1) The condition for an existing field to be a qualifying existing field for the purposes of section 6A above is that at no time in the period of 6 years ending with 8th April 2003 (“the 6 year period”) was there—
  - (a) any use of a disqualifying asset (see subsection (2) below) in a UK area (see subsection (11) below) in relation to the field or oil won from it, or
  - (b) any provision of any services or other business facilities of whatever kind in connection with the use of a disqualifying asset in a UK area in relation to the field or oil won from it.
- (2) For the purposes of subsection (1) above “disqualifying asset”, in relation to an existing field and any time in the 6 year period, means an asset which at that time—
  - (a) was a qualifying asset in relation to a participator in an oil field; and
  - (b) was not an excepted asset (see subsection (3) below).

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- (3) For the purposes of subsection (2) above “excepted asset”, in relation to an existing field and any time in the 6 year period, means any of the following—
- (a) any asset (other than a tanker) which at that time was wholly situated in the existing field;
  - (b) any tanker which at that time was a non-dedicated tanker (see subsection (10) below) being used for transporting from the existing field oil which had been won from that field;
  - (c) any asset which at that time was being used in relation to oil which had been won from the existing field and transported from that field by a non-dedicated tanker;
  - (d) if the existing field is an oil field and is expected not to be a tanker loading field (see subsection (7) below)—
    - (i) any tanker which at that time was a dedicated tanker (see subsection (9) below) being used for transporting from the existing field oil which had been won from that field;
    - (ii) any asset which at that time was being used in relation to oil which had been won from the existing field and transported from that field by a dedicated tanker;
    - (iii) any asset which at that time was being used to transport from the existing field oil consisting of gas won from that field to another oil field for the purpose of enabling that oil to be used for assisting the extraction of oil from that other field;
  - (e) if at that time the existing field was not a taxable field, any asset by reference to which an election under section 231 of the Finance Act 1994 (election by reference to asset with excess capacity) was at that time in operation with respect to an oil field.
- (4) Where any use of an asset is, by virtue of subsection (3) above, use of an excepted asset, the provision of any services or other business facilities of whatever kind in connection with that use of that asset accordingly falls to be disregarded for the purposes of subsection (1)(b) above.
- (5) Where an asset in a UK area—
- (a) is a qualifying asset in relation to a participator in such an oil field as is mentioned in section 107 of the Finance Act 1980 (a “participator in the UK sector”), and
  - (b) is also, by virtue of paragraph 3 of Schedule 4 to this Act, a chargeable asset in relation to a participator in a foreign field (a “participator in the foreign sector”),
- subsection (6) below applies in relation to use of the asset in relation to the existing field or oil won from it.
- (6) Where this subsection applies, then, in determining for the purposes of subsection (1) above whether there has been any use of a disqualifying asset in relation to the existing field or oil won from it, any use of the asset in relation to that field or oil won from it shall be treated—
- (a) as use of a qualifying asset in relation to a participator in an oil field, if or to the extent that the use is attributable, on a just and reasonable basis, to a participator in the UK sector, or



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- (b) as use of an asset which was not a qualifying asset in relation to a participator in an oil field, if or to the extent that the use is attributable, on a just and reasonable basis, to a participator in the foreign sector.
- (7) For the purposes of subsection (3) above, the existing field is expected not to be a tanker loading field if, at the time when the relevant contract is entered into, it is expected that all (or virtually all) of the oil (other than oil consisting of gas) to be won from that field and transported from it after the beginning of the operational period will be so transported otherwise than by tanker.
- (8) For the purposes of subsection (7) above—
- (a) “the relevant contract” means the contract mentioned in section 6A(2)(b) above; and
  - (b) “the beginning of the operational period” means the time at which the qualifying asset to which that contract relates begins to be used under that contract in relation to the existing field or oil won from that field.
- (9) For the purposes of subsection (3) above a tanker is a dedicated tanker at any time if—
- (a) the existing field mentioned in that subsection is an oil field, and
  - (b) at that time the tanker is a mobile asset dedicated to that oil field (see section 2 above).
- (10) For the purposes of subsection (3) above a tanker is a non-dedicated tanker—
- (a) at any time, if the existing field mentioned in that subsection is not an oil field, or
  - (b) where that field is an oil field, at any time when the tanker is not a mobile asset dedicated to that oil field.
- (11) In this section “UK area” means each of the following—
- (a) the United Kingdom;
  - (b) the territorial sea of the United Kingdom;
  - (c) a designated area, to the extent that it does not fall to be treated by virtue of section 6A(6) above as a foreign field.
- (12) This section shall be construed as one with section 6A above.”.
- (4) In Schedule 2 (supplemental provisions in relation to receipts from qualifying assets) in paragraph 12 (purchase at place of extraction)—
- (a) in sub-paragraph (1), for “Subject to sub-paragraphs (4) and (5)” substitute “Subject to sub-paragraphs (4) to (6)”, and
  - (b) at the end of the paragraph add—
- “(6) In any chargeable period ending on or after 30th June 2004, sub-paragraph (1) above does not apply to oil in a case where—
- (a) had the operation or operations to which the oil was subjected as mentioned in paragraph (b) of that sub-paragraph been carried out under a contract entered into on or after 9th April 2003, and
  - (b) had an amount been received or receivable under the contract in that chargeable period by the participator,
- that amount would have been a tax-exempt tariffing receipt.”.

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- (5) Schedule 37 to this Act has effect; and in that Schedule—
- Part 1 makes amendments to the Oil Taxation Act 1983 (c. 56) relating to allowable expenditure and disposal receipts;
  - Part 2 makes transitional provision;
  - Part 3 makes amendments to the Taxes Act 1988;
  - Part 4 makes amendments to other enactments.
- (6) In Part 1 of Schedule 37 to this Act—
- (a) the amendments made by paragraph 5 (which relate to disposal receipts) have effect in relation to disposals in chargeable periods ending on or after 30th June 2004, and
  - (b) the other amendments made by that Part have effect in relation to expenditure incurred on or after 1st January 2004.
- <sup>F862</sup>(7) .....
- (8) The amendments made by Part 4 of that Schedule have effect in relation to chargeable periods (within the meaning of section 98 of the Finance Act 1999 (c. 16)) ending on or after 30th June 2004.

#### Textual Amendments

**F862** S. 285(7) repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 10 Pt. 6](#) (with [Sch. 9 paras. 1-9, 22](#)) and repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 3 Pt. 2](#) (with [Sch. 2](#))

## 286 Petroleum extraction activities: exploration expenditure supplement

- (1) Chapter 5 of Part 12 of the Taxes Act 1988 (petroleum extraction activities) is amended as follows.
- (2) After section 496 (tariff receipts) insert—

### “496A Exploration expenditure supplement

Schedule 19B to this Act (exploration expenditure supplement) shall have effect.”.

- (3) Before Schedule 20 insert the Schedule 19B set out in Schedule 38 to this Act.

## 287 Restrictions on expenditure allowable

- (1) In Schedule 4 to the Oil Taxation Act 1975 (c. 22), paragraph 2 (restrictions on expenditure allowable where acquisition etc from connected person or otherwise not at arm’s length) is amended as follows.
- (2) In sub-paragraph (1), for the words following paragraph (b) (which limit the expenditure allowable to the cost in a transaction to which paragraph 2 does not apply) substitute— “ as having incurred that expenditure only to the extent that it does not exceed the lowest of the amounts described in sub-paragraph (1ZA) below which is applicable in the particular case. ”.

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(3) After sub-paragraph (1) insert—

“(1ZA) Those amounts are—

- (a) the amount of expenditure (other than loan expenditure) incurred up to the time mentioned in sub-paragraph (1) above in a transaction to which this paragraph does not apply (or, if there has been more than one such transaction, the later or latest of them) in acquiring, bringing into existence, or enhancing the value of, the asset;
- (b) the amount of the open market consideration for the acquisition, bringing into existence, or enhancement of the value, of the asset;
- (c) in a case where the other party to the transaction is a participator in a taxable field and in the case of that participator either—
  - (i) an amount is brought into account under section 2 of this Act in accordance with section 7(1) of the Oil Taxation Act 1983 as disposal receipts in respect of the transaction, or
  - (ii) no amount is so brought into account by reason of reductions falling to be made in the amount that would have been so brought into account apart from those reductions,
- (d) in a case where the other party to the transaction is not a participator in a taxable field but—
  - (i) the transaction is the latest in a series of transactions in respect of the asset (or in respect of an asset or assets in which the asset was comprised),
  - (ii) those transactions are transactions to which this paragraph applies,
  - (iii) in the case of at least one of those transactions, there is a party who is a participator in an oil field, and
  - (iv) in the case of any such party, an amount either is brought into account as mentioned in paragraph (c)(i) above in respect of the transaction or would have been so brought into account but for such reductions as are mentioned in paragraph (c)(ii) above,

so much of the amount so brought into account in respect of that transaction (or, where there are two or more such transactions, the later or latest of them) as is justly and reasonably referable to the asset mentioned in sub-paragraph (1) above (taking that amount as being nil in the case of any transaction where no amount is so brought into account by reason of any such reductions).”.

(4) In sub-paragraph (1B) (meaning of “loan expenditure” in sub-paragraph (1)) for “(1)” substitute “(1ZA)(a)”.

(5) After sub-paragraph (1B) insert—

“(1C) The reference in sub-paragraph (1ZA)(b) above to the open market consideration for the acquisition, bringing into existence, or enhancement of the value, of an asset is a reference to the consideration which might reasonably have been given for the acquisition, bringing into existence, or enhancement of the value, of the asset (whatever the nature of the acquisition,

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bringing into existence or enhancement of the value) had it been made in a transaction to which this paragraph does not apply.”.

- (6) The amendments made by this section have effect in relation to expenditure incurred on or after 17th March 2004.

## 288 Terminal losses

- (1) Schedule 17 to the Finance Act 1980 (c. 48) (transfers of interests in oil fields) is amended as follows.
- (2) For paragraph 15 (terminal losses) substitute—

### 15 “Terminal losses

- (1) This paragraph applies in any case where—
- (a) such an allowable loss as falls to be relieved under section 7(3) accrues to the new participator from the field in a chargeable period ending after 17th March 2004, but
  - (b) some or all of the loss cannot be relieved under section 7(3) against assessable profits accruing to him from the field.
- (2) So much of the loss as cannot be so relieved (“the remaining loss”) shall be regarded as an allowable unrelievable field loss in relation to the new participator (“the loss-maker”) only to the extent that—
- (a) so much of it as cannot be relieved in accordance with sub-paragraphs (3) to (6) below,  
exceeds
  - (b) the aggregate of any relevant previous participators' expenditure unrelated to the field (see sub-paragraphs (10) and (11) below).
- (3) The remaining loss shall be treated as an allowable loss which falls to be relieved under section 7(3) against so much of any assessable profits accruing to the old participator from the field as is attributable to his represented interest (see sub-paragraphs (9) and (12) below).
- (4) Where a person is the new participator in relation to two or more old participators—
- (a) the remaining loss shall be apportioned between those old participators in such manner as is just and reasonable having regard to the interests respectively transferred by them to the new participator,
  - (b) sub-paragraph (3) above shall have effect separately in relation to each of them (and the part of the remaining loss apportioned to him).
- (5) Any relief by virtue of sub-paragraph (3) above shall be given against the assessable profits accruing to the old participator in an earlier chargeable period only to the extent to which it cannot be given against the assessable profits accruing to him in a later chargeable period.
- (6) If—
- (a) the old participator acquired some or all of his interest in the field by a previous transfer in relation to which he was the new participator,

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- (b) Parts 2 and 3 of this Schedule applied in relation to that previous transfer, and
- (c) some or all of the part of the remaining loss treated as an allowable loss of his cannot be relieved in accordance with sub-paragraph (3) above,

sub-paragraphs (3) to (5) above shall apply in relation to so much of that part of the remaining loss as cannot be so relieved as they apply in relation to the remaining loss, but construing the references in those sub-paragraphs to the new participator and the old participator by reference to that previous transfer and the parties to it, and then applying this sub-paragraph accordingly (and so on).

(7) But where—

- (a) the person who is the old participator in relation to a transfer made before 17th March 2004 (“the later transfer”) is also the new participator in relation to a previous transfer, and
- (b) Parts 2 and 3 of this Schedule applied in relation to both of those transfers,

sub-paragraph (3) above shall not apply by virtue of sub-paragraph (6) above in relation to so much of the assessable profits of the person who is the old participator in relation to that previous transfer as is attributable to so much of his interest as constitutes the whole or part of his represented interest by virtue of the later transfer.

- (8) Where losses accruing to each of two or more participators fall to be relieved by virtue of sub-paragraph (3) above against the same assessable profits, a loss accruing to the person who last had an interest representing the whole or part of the transferred interest at an earlier time shall be so relieved before one accruing to a person who last had such an interest at a later time.

In this sub-paragraph “the transferred interest” means the interest transferred by the person against whose assessable profits the losses fall to be relieved.

- (9) In determining for the purposes of this paragraph the assessable profits of a participator that are attributable to his represented interest, the assessable profits shall be apportioned between—

- (a) the represented interest, and
- (b) the remainder of the participator’s interest,

using such method as is just and reasonable, having regard to the respective sizes of those interests.

- (10) For the purposes of this paragraph “relevant previous participators’ expenditure unrelated to the field” means so much of each relevant previous participator’s allowed expenditure unrelated to the field as is referable to his represented interest, other than excepted old expenditure.

- (11) For the purposes of sub-paragraph (10) above—

“allowed expenditure unrelated to the field”, in relation to a participator, is expenditure unrelated to the field which is allowed on a claim or election made by the participator;

“excepted old expenditure” is expenditure which has been allowed in pursuance of a claim or election for its allowance received by the Board before 17th March 2004;

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“relevant previous participator” means a participator against any of whose assessable profits relief is given in accordance with sub-paragraphs (3) to (6) above;

and sub-paragraph (9) above shall apply in relation to allowed expenditure unrelated to the field as it applies in relation to assessable profits.

(12) In this paragraph—

“expenditure unrelated to the field” has the meaning given by section 6(9);

“the loss-maker” shall be construed in accordance with sub-paragraph (2) above;

“previous owner” means a person from whom the loss-maker directly or indirectly derives his title to the whole or any part of his interest;

“represented interest”, in the case of a previous owner, means so much of the interest which that previous owner transferred, by a transfer to which Parts 2 and 3 of this Schedule apply, as is represented in the loss-maker’s interest by virtue only of—

- (a) that transfer, or
- (b) that transfer and one or more subsequent transfers to which those Parts apply,

making, for the purposes of paragraph (b) above, such apportionments as are just and reasonable, having regard to the interests transferred by each of the transferors.”.

(3) The amendment made by this section has effect in relation to losses accruing in chargeable periods ending after 17th March 2004.

## PART 6

### OTHER TAXES

#### *Climate change levy*

#### **289 Supplies to producers of commodities**

(1) Schedule 6 to the Finance Act 2000 (c. 17) (climate change levy) is amended as set out in subsections (2) to (5).

(2) In paragraph 13 (exemption for supplies to producers of commodities), in paragraph (b), after sub-paragraph (ii) insert—

“(ia) in producing biodiesel for chargeable use within the meaning of section 6AA of the Hydrocarbon Oil Duties Act 1979 (excise duty on biodiesel),

(iib) in producing bioblend for delivery for home use from any place mentioned in section 6AB(1)(b) of that Act (excise duty on bioblend),

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- (iic) in producing bioethanol for chargeable use within the meaning of section 6AD of that Act (excise duty on bioethanol),
  - (iid) in producing bioethanol blend for delivery for home use from any place mentioned in section 6AE(1)(b) of that Act (excise duty on bioethanol blend).”
- (3) In paragraph 13(b)(iii), for “liquids that are not hydrocarbon oil” substitute “ liquids (within the meaning of that section) in respect of which a charge is capable of arising under that section ”.
- (4) In paragraph 13, for the words from “For this purpose” to the end substitute— “ Expressions which are used in this paragraph and the Hydrocarbon Oil Duties Act 1979 have the same meaning in this paragraph as they have in that Act. ”
- (5) After paragraph 13 insert—

- “13A
- (1) The Commissioners may by regulations make provision amending paragraph 13 for the purpose of—
    - (a) extending the circumstances in which a supply of a taxable commodity is exempt from the levy, or
    - (b) restricting the circumstances in which a supply of a taxable commodity is exempt from the levy.
  - (2) Regulations under this paragraph that include provision made for the purpose mentioned in sub-paragraph (1)(a) may provide for the provision to have retrospective effect.
  - (3) A statutory instrument that contains (whether alone or with other provisions) regulations under this paragraph made for the purpose mentioned in sub-paragraph (1)(b) shall not be made unless a draft of the instrument has been laid before Parliament and approved by a resolution of the House of Commons.”
  - (6) The amendments made by subsections (2) to (4) have effect—
    - (a) as regards biodiesel and bioblend, in relation to supplies made on or after the day on which this Act is passed;
    - (b) as regards bioethanol and bioethanol blend, in relation to supplies made on or after 1st January 2005.

#### *Aggregates levy*

### **290 Transitional tax credit in Northern Ireland: changes to existing scheme**

- (1) In section 30A of the Finance Act 2001 (c. 9) (aggregates levy: transitional tax credit in Northern Ireland) after subsection (3) insert—
- “(4) The Treasury may by order made by statutory instrument amend subsection (2) above so as to—
- (a) change the period in relation to which the amount of a tax credit is to be reduced;
  - (b) change the amount by which a tax credit is to be reduced.

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(5) An order under subsection (4) above shall not be made unless a draft of the order has been laid before Parliament and approved by a resolution of the House of Commons.”

(2) This section shall be deemed to have come into force on 1st April 2004.

## **291 Transitional tax credit in Northern Ireland: new scheme**

(1) Part 2 of the Finance Act 2001 (aggregates levy) is amended as set out in subsections (2) and (3).

(2) For section 30A substitute—

### **“30A Transitional tax credit in Northern Ireland**

(1) The Commissioners may by regulations make provision of the kind described in section 30(2) above (entitlement to tax credit) in relation to cases within subsection (2) below.

(2) The cases are those where a charge to aggregates levy has arisen on a quantity of aggregate which has been subjected to commercial exploitation in Northern Ireland during a period—

- (a) starting on the prescribed date, and
- (b) ending on 31st March 2011.

(3) The date prescribed for the purposes of subsection (2)(a) above may be earlier than the date on which this section comes into force.

(4) The amount of a tax credit to which a person is entitled under the regulations must not be more than 80% of any aggregates levy charged on the aggregate in question.

(5) Regulations under this section may in particular make provision—

- (a) for a person operating a site to be entitled to a tax credit under the regulations in respect of a period for which he holds an aggregates levy credit certificate which has been issued in respect of the site and which has not been withdrawn;
- (b) for an aggregates levy credit certificate to be issued to a person in respect of a site only if an aggregates levy credit agreement is in force in respect of the site;
- (c) for the withdrawal of an aggregates levy credit certificate where the aggregates levy credit agreement in respect of which it was issued is no longer in force;
- (d) for the form and content of aggregates levy credit certificates and aggregates levy credit agreements.

(6) Regulations under this section which make provision such as is mentioned in subsection (5)(d) above may be framed by reference to any provisions of a notice published by the Commissioners in pursuance of the regulations and not withdrawn by a further notice.



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- (7) If regulations under this section make provision such as is mentioned in subsection (5) above, the Commissioners or the Northern Ireland Department may—
- (a) enter into aggregates levy credit agreements;
  - (b) issue and withdraw aggregates levy credit certificates;
  - (c) take such other steps as the Commissioners or the Northern Ireland Department consider appropriate in relation to aggregates levy credit agreements and aggregates levy credit certificates.
- (8) Regulations under this section which make provision such as is mentioned in subsection (5) above must include provision requiring the Northern Ireland Department to inform the Commissioners if the Northern Ireland Department issues or withdraws an aggregates levy credit certificate.
- (9) Subsections (3) to (5) of section 30 above apply to regulations under this section as they apply to regulations under that section.
- (10) The Treasury may by order made by statutory instrument amend subsection (4) above by substituting for the percentage for the time being specified in that subsection a percentage lower than 80%.
- (11) An order under subsection (10) above shall not be made unless a draft of the order has been laid before Parliament and approved by a resolution of the House of Commons.
- (12) Any expenses of the Northern Ireland Department under this section shall be charged on the Consolidated Fund of Northern Ireland.
- (13) In this section—
- “aggregates levy credit agreement” means an agreement entered into in respect of a site by the person operating the site and the Commissioners or the Northern Ireland Department;
- “aggregates levy credit certificate” means a certificate issued to the person operating a site by the Commissioners or the Northern Ireland Department as evidence of the fact that an aggregates levy credit agreement has been entered into in respect of the site;
- “the Northern Ireland Department” means the Department of the Environment in Northern Ireland.”
- (3) In section 48(1) (interpretation), in the definition of “tax credit regulations” after “section 30” insert “ or 30A ”.
- (4) The preceding provisions of this section come into force on such day as the Treasury may by order made by statutory instrument appoint.
- (5) An order under subsection (4) may—
- (a) make different provision for different purposes;
  - (b) make incidental, consequential, supplemental or transitional provision and savings.

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### Commencement Information

**I124** S. 291 wholly in force at 23.7.2004; s. 291(4)(5) in force at Royal Assent, see s. 291(4); s. 291(1)-(3) in force at 23.7.2004 by S.I. 2004/1942, art. 2

## *Lorry road-user charge*

### 292 Lorry road-user charge

- (1) Section 137 of the Finance Act 2002 (c. 23) (lorry road-user charge) is amended as follows.
- (2) For subsection (4) substitute—
  - “(4) Lorry road-user charge—
    - (a) shall be under the care and management of the Commissioners of Customs and Excise, and
    - (b) shall be administered and enforced in accordance with such provisions as Parliament may determine.”.
- (3) For subsections (5) and (6) substitute—
  - “(5) All money and securities for money collected or received for or on account of lorry road-user charge shall—
    - (a) if collected or received in Great Britain, be placed to the general account of the Commissioners of Customs and Excise kept at the Bank of England under section 17 of the Customs and Excise Management Act 1979;
    - (b) if collected or received in Northern Ireland, be paid into the Consolidated Fund of the United Kingdom in such manner as the Treasury may direct.”.

## *Inheritance tax*

### 293 Delivery of accounts etc

- (1) Section 256 of the Inheritance Tax Act 1984 (c. 51) (regulations about information to be furnished to the Board) is amended as follows.
- (2) In subsection (1)—
  - (a) in paragraph (a), after “specified in” insert “ or determined under ”;
  - (b) after paragraph (a) insert—
    - “(aa) requiring persons who by virtue of regulations under paragraph (a) above are not required to deliver accounts under section 216 above to produce to the Board, in such manner as may be specified in or determined under the regulations, such information or documents as may be so specified or determined”;
  - (c) in paragraph (b), after “so specified” insert “ or determined ”;
  - (d) paragraph (c) shall cease to have effect.

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(3) After subsection (1) insert—

“(1A) Regulations under subsection (1)(aa) may in particular—

- (a) provide that information or documents must be produced to the Board by producing it or them to—
  - (i) a probate registry in England and Wales;
  - (ii) the sheriff in Scotland;
  - (iii) the Probate and Matrimonial Office in Northern Ireland;
- (b) provide that information or documents produced as specified in paragraph (a) is or are to be treated for any or all purposes of this Act as produced to the Board;
- (c) provide for the further transmission to the Board of information or documents produced as specified in paragraph (a).”

(4) Subsection (2) shall cease to have effect.

(5) In subsection (3), at the end insert “ and may make different provision for different cases ”.

(6) After subsection (3) insert—

“(3A) Regulations under this section may only be made—

- (a) in relation to England and Wales or Northern Ireland, after consulting the Lord Chancellor;
- (b) in relation to Scotland, after consulting the Scottish Ministers.”

## 294 Grant of probate

(1) In section 109 of the [<sup>F863</sup>Senior Courts Act 1981] (c. 54) (refusal of grant of probate where inheritance tax unpaid)—

(a) for subsection (1) substitute—

“(1) No grant shall be made, and no grant made outside the United Kingdom shall be resealed, except—

- (a) on the production of information or documents under regulations under section 256(1)(aa) of the Inheritance Tax Act 1984 (excepted estates); or
- (b) on the production of an account prepared in pursuance of that Act showing by means of such receipt or certification as may be prescribed by the Commissioners either—
  - (i) that the inheritance tax payable on the delivery of the account has been paid; or
  - (ii) that no such tax is so payable.”;
- (b) in subsection (2), for “this section” substitute “ subsection (1)(b) ”;
- (c) after subsection (2) insert—

“(2A) In this section and the following section, “the Commissioners” means the Commissioners of Inland Revenue”;

(d) subsection (3) shall cease to have effect.

(2) In section 42 of the Probate and Legacy Duties Act 1808 (c. 149) (grant of confirmation)—

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- (a) the existing text shall become subsection (1) of that section;
  - (b) at the beginning of that subsection, for “And” substitute “ Subject to subsection (2) below, ”; and
  - (c) after that subsection insert—
    - “(2) In a case to which regulations under section 256(1)(aa) of the Inheritance Tax Act 1984 (c. 51) apply (excepted estates), it shall not be lawful to grant confirmation such as is mentioned in subsection (1) above except on the production of information or documents in accordance with those regulations.”
- (3) In Article 20 of the Administration of Estates (Northern Ireland) Order 1979 (S.I.1979/1575 (N.I.14)) (inheritance tax accounts)—
- (a) for paragraph (1) substitute—
    - “(1) The High Court shall not make any grant, or reseal any grant made outside the United Kingdom, except—
      - (a) on the production of information or documents under regulations under section 256(1)(aa) of the Inheritance Tax Act 1984 (excepted estates); or
      - (b) on the production of an account prepared in pursuance of that Act showing by means of such receipt or certification as may be prescribed by the Commissioners of Inland Revenue either—
        - (i) that the inheritance tax payable on the delivery of the account has been paid; or
        - (ii) that no such tax is so payable.”;
    - (b) in paragraph (2) of that Article, for “this Article” substitute “ paragraph (1) (b) ”.
- (4) Subsection (1) shall come into force on such day as the Treasury may after consulting the Lord Chancellor by order made by statutory instrument appoint.
- (5) Subsection (2) shall come into force on such day as the Treasury may after consulting the Scottish Ministers by order made by statutory instrument appoint.
- (6) Subsection (3) shall come into force on such day as the Treasury may after consulting the Lord Chancellor by order made by statutory instrument appoint.

#### Textual Amendments

**F863** Words in Act substituted (1.10.2009) by [Constitutional Reform Act 2005 \(c. 4\)](#), s. 148(1), [Sch. 11 para. 1\(2\)](#); [S.I. 2009/1604](#), art. 2(d)

#### Commencement Information

**I125** S. 294(1)-(3) in force at 1.11.2004 by [S.I. 2004/2571](#), [art. 2](#)

**I126** S. 294(4)-(6) in force at Royal Assent, see s. 294(4)-(6)

## 295 Amendments to penalty regime

- (1) The Inheritance Tax Act 1984 (c. 51) is amended as specified in subsections (2) to (4).
- In section 245 (failure to deliver accounts)—

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- (2) (a) in subsections (2)(a) and (3), for “not exceeding” substitute “ of ”;  
(b) after subsection (4) insert—
  - “(4A) Without prejudice to any penalties under subsections (2) and (3) above, if—
    - (a) the failure by the taxpayer to deliver the account continues after the anniversary of the end of the period given by section 216(6) or (7) (whichever is applicable), and
    - (b) there would have been a liability to tax shown in the account, the taxpayer shall be liable to a penalty of an amount not exceeding £3,000.”
- (3) In section 245A (failure to provide information etc)—
  - (a) after subsection (1A) insert—
    - “(1B) Without prejudice to any penalties under subsection (1A) above, if a person continues to fail to comply with the requirements of section 218A after the anniversary of the end of the period of six months referred to in section 218A(1), he shall be liable to a penalty of an amount not exceeding £3,000.”;
  - (b) in subsection (5)—
    - (i) after “failing to make a return” insert “ , to comply with the requirements of section 218A ”;
    - (ii) after “fails to make the return” insert “ , to comply with the requirements of section 218A ”.
- (4) In section 247 (provision of incorrect information)—
  - <sup>F864</sup>(a) .....
  - (b) in subsection (3), for the words from “, in the case of fraud” to the end substitute “ to a penalty not exceeding £3,000 ”.
- (5) Subsection (2)(a) above has effect in relation to a failure by any person to deliver an account under section 216 or 217 of the Inheritance Tax Act 1984 (c. 51) where the period under section 216(6) or (7) or 217 of that Act (whichever is applicable) within which the person is required to deliver the account expires after six months from the day on which this Act is passed.
- (6) Subsection (2)(b) above has effect—
  - (a) in relation to a failure by any person to deliver an account under section 216 of the Inheritance Tax Act 1984 where the period under section 216(6) or (7) of that Act (whichever is applicable) within which the person is required to deliver the account expires after the day on which this Act is passed; and
  - (b) in relation to such a failure to deliver such an account where that period expires on or before the day on which this Act is passed, as if, in the subsection (4A) inserted in section 245 of that Act by subsection (2)(b) above, for the words “anniversary of the end of the period given by section 216(6) or (7) (whichever is applicable)” there were substituted “ end of the period of twelve months beginning with the day on which the Finance Act 2004 is passed ”.
- (7) Subsection (3)(a) above has effect—
  - (a) in relation to a failure to comply with the requirements of section 218A of the Inheritance Tax Act 1984 where the period of six months referred to in

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- subsection (1) of that section expires after the day on which this Act is passed; and
- (b) in relation to such a failure to comply with those requirements where that period expires on or before the day on which this Act is passed, as if, in the subsection (1B) inserted in section 245A of that Act by subsection (3) (a) above, for the words “anniversary of the end of the period of six months referred to in section 218A(1)” there were substituted “ end of the period of twelve months beginning with the day on which the Finance Act 2004 is passed ”.
- (8) Subsection (3)(b) above has effect in relation to a failure to comply with the requirements of section 218A of the Inheritance Tax Act 1984 where the period of six months referred to in subsection (1) of that section expires after the day on which this Act is passed.
- (9) Subsection (4) above has effect in relation to incorrect accounts, information or documents delivered, furnished or produced after the day on which this Act is passed.

#### Textual Amendments

**F864** S. 295(4)(a) omitted (1.4.2009) by virtue of [Finance Act 2008 \(c. 9\)](#), s. 122(2), [Sch. 40 para. 21\(1\)](#); [S.I. 2009/571](#), art. 2

### *Stamp duty land tax and stamp duty*

#### 296 Miscellaneous amendments

Schedule 39 to this Act, which makes amendments to Part 4 (stamp duty land tax) and Part 5 (stamp duty) of the Finance Act 2003 (c. 14), has effect.

### *Stamp duty land tax*

#### 297 Leases

- (1) Part 4 of the Finance Act 2003 (c. 14) (stamp duty land tax) is amended as follows.
- (2) In subsection (3) of section 43 (land transactions), in paragraph (d) (inserted by paragraph 2(b) of Schedule 39 to this Act), after “where” insert “ (i) ” and at the end insert “, or
- (ii) paragraph 15A of Schedule 17A (reduction of rent or term) applies.”.
- (3) In section 48 (chargeable interests), at the end of subsection (7) (inserted by paragraph 4(2) of that Schedule) insert “ and to paragraph 15A of Schedule 17A (reduction of rent or term of lease) ”.
- (4) In section 53 (deemed market value where transaction involves connected company), for subsection (1) substitute—
- “(1) This section applies where the purchaser is a company and—
- (a) the vendor is connected with the purchaser, or

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- (b) some or all of the consideration for the transaction consists of the issue or transfer of shares in a company with which the vendor is connected.
- (1A) The chargeable consideration for the transaction shall be taken to be not less than—
  - (a) the market value of the subject-matter of the transaction as at the effective date of the transaction, and
  - (b) if the acquisition is the grant of a lease at a rent, that rent.”.
- (5) In section 79 (registration of land transactions etc), in subsection (2) (transactions to which section does not apply) (as amended by paragraph 7 of Schedule 39 to this Act)
  - (a) in paragraph (a) for the words from “by virtue of” to the end substitute “by virtue of—
    - (i) section 45 (contract and conveyance: effect of transfer of rights), or
    - (ii) paragraph 12B of Schedule 17A (assignment of agreement for lease);”;
  - (b) at the end insert—
    - “(c) under paragraph 12A(2) or 19(3) of Schedule 17A (agreement for lease), or
    - (d) under paragraph 13 (increase of rent) or 15A (reduction of rent or term) of that Schedule.”.
- (6) After that subsection insert—

“(2A) Subsection (1), so far as relating to the entry of a notice under section 34 of the Land Registration Act 2002 or section 38 of the Land Registration Act (Northern Ireland) 1970 (notice in respect of interest affecting registered land), does not apply where the land transaction in question is the variation of a lease.”.
- (7) In subsection (3) of that section, after “The certificate” insert “ referred to in subsection (1) ”.
- (8) In Schedule 4 (chargeable consideration), in paragraph 10 (carrying out of works), in sub-paragraph (2A) (inserted by paragraph 9(2) of Schedule 39 to this Act), for the words from the beginning to “completion),” substitute—

“Where by virtue of—

  - (a) subsection (8) of section 44 (contract and conveyance),
  - (b) paragraph 12A of Schedule 17A (agreement for lease), or
  - (c) paragraph 19(3) to (6) of Schedule 17A (missives of let etc in Scotland),

there are two notifiable transactions (the first being the contract or agreement and the second being the transaction effected on completion or, as the case may be, the grant or execution of the lease), ”.
- (9) Subsections (2) to (4) and (8) apply in relation to any transaction of which the effective date is on or after the day on which this Act is passed.

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- (10) Subsections (5) to (7) apply in relation to any transaction or deemed transaction of which the effective date is on or after 17th March 2004.
- (11) In this section “effective date” has the same meaning as in Part 4 of the Finance Act 2003 (c. 14).

## 298 Notification, registration and penalties

- (1) Part 4 of the Finance Act 2003 (stamp duty land tax) is amended as follows.
- (2) In section 77 (notifiable transactions)—
- (a) after subsection (2) insert—
- “(2A) The assignment of a lease is notifiable if—
- (a) the grant of the lease, if occurring at the time of the assignment, would be notifiable, or
- (b) there is consideration for the assignment that is chargeable at a rate of 1% or higher, or would be so chargeable but for a relief.”;
- (b) in subsection (3), for “unless it is exempt from charge under Schedule 3” substitute “unless—
- (a) the acquisition is exempt from charge under Schedule 3, or
- (b) the land consists entirely of residential property and the chargeable consideration for the acquisition, together with that of any linked transactions, is less than £1,000”;
- (c) after subsection (5) (inserted by paragraph 4(3) of Schedule 39 to this Act) insert—
- “(6) In this section “relief” does not include any exemption from charge under Schedule 3.”.
- (3) [<sup>F865</sup>In section 79 (registration of land transactions etc), in subsection (1)(b), after “any register maintained by the Keeper of the Registers of Scotland” insert “ (other than the Register of Community Interests in Land) ”.]
- (4) In section 99 (general provisions about penalties), after subsection (2) insert—
- “(2A) Where a person is liable to more than one tax-related penalty in respect of the same land transaction, each penalty after the first shall be reduced so that his liability to such penalties, in total, does not exceed the amount of whichever is (or, but for this subsection, would be) the greatest one.”.

<sup>F866</sup>(5) .....

### Textual Amendments

**F865** S. 298(3) omitted (with effect in accordance with s. 29(4) of the amending Act) by virtue of [Scotland Act 2012 \(c. 11\)](#), s. 44(2)(b)(3)(b), [Sch. 3 para. 28](#) (with s. 29(5)(6)); S.I. 2015/637, art. 2

**F866** S. 298(5) omitted (with effect in accordance with Sch. 39 para. 10(4) of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 39 para. 8\(2\)\(c\)](#) (with [Sch. 39 paras. 11-13](#))



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## **299 Claims not included in returns**

- (1) Part 4 of the Finance Act 2003 (c. 14) (stamp duty land tax) is amended as follows.
- (2) After section 82 insert—

### **“82A Claims not included in returns**

Schedule 11A has effect with respect to claims not included in returns.”.

- (3) After Schedule 11 insert the Schedule set out in Schedule 40 to this Act.
- (4) In section 80 (adjustment where contingency ceases or consideration is ascertained), in subsection (4) (claim for repayment), for the words from “the amount” to the end substitute—
  - “(a) the purchaser may, within the period allowed for amendment of the land transaction return, amend the return accordingly;
  - (b) after the end of that period he may (if the land transaction return is not so amended) make a claim to the Inland Revenue for repayment of the amount overpaid”.
- (5) In section 111 (claim for repayment if regulations under general power not approved) in subsection (1), for the words from “any amount” to the end substitute “ a claim may be made to the Inland Revenue for repayment of any tax, interest or penalty that would not have been payable but for the regulations ”.
- (6) In section 113 (functions conferred on “the Inland Revenue”), after subsection (3) insert—
  - “(3A) The following functions of the Inland Revenue under Schedule 11A (claims not included in returns) are functions of the Board—
    - (a) functions under paragraph 2(1) (form of claims),
    - (b) functions relating to a claim made to the Board.”.
- (7) In Schedule 10 (returns, enquiries, assessments and appeals), in paragraph 33 (relief in case of double assessment)—
  - (a) in sub-paragraph (1), for “for relief under this paragraph” substitute “ to the Inland Revenue for relief against any double charge ”;
  - (b) omit sub-paragraphs (2) and (3).
- (8) In paragraph 34 of that Schedule (relief in case of mistake in return)—
  - (a) in sub-paragraph (1), for “for relief under this paragraph” substitute “ to the Inland Revenue for relief against any excessive charge ”;
  - (b) in sub-paragraph (2), omit “by notice in writing given to the Inland Revenue”;
  - (c) omit sub-paragraph (3).

## **300 Assents and appropriations by personal representatives**

- (1) In Schedule 3 to the Finance Act 2003 (c. 14) (stamp duty land tax: transactions exempt from charge), after paragraph 3 insert—

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### “Assents and appropriations by personal representatives

- 3A (1) The acquisition of property by a person in or towards satisfaction of his entitlement under or in relation to the will of a deceased person, or on the intestacy of a deceased person, is exempt from charge.
- (2) Sub-paragraph (1) does not apply if the person acquiring the property gives any consideration for it, other than the assumption of secured debt.
- (3) Where sub-paragraph (1) does not apply because of sub-paragraph (2), the chargeable consideration for the transaction is determined in accordance with paragraph 8A(1) of Schedule 4.
- (4) In this paragraph—  
     “debt” means an obligation, whether certain or contingent, to pay a sum of money either immediately or at a future date, and  
     “secured debt” means debt that, immediately after the death of the deceased person, is secured on the property.”
- (2) The amendment made by this section is deemed always to have had effect.

### 301 Chargeable consideration

- (1) In Schedule 3 to the Finance Act 2003 (transactions exempt from charge), in paragraph 4 (variation of testamentary dispositions etc) after sub-paragraph (2) insert—  
     “(2A) Where the condition in sub-paragraph (2)(b) is not met, the chargeable consideration for the transaction is determined in accordance with paragraph 8A(2) of Schedule 4.”
- (2) Schedule 4 to that Act (stamp duty land tax: chargeable consideration) is amended as follows.
- (3) In paragraph 8 (debt as consideration), after sub-paragraph (1) insert—  
     “(1A) Where—  
         (a) debt is secured on the subject-matter of a land transaction immediately before and immediately after the transaction, and  
         (b) the rights or liabilities in relation to that debt of any party to the transaction are changed as a result of or in connection with the transaction,  
     then for the purposes of this paragraph there is an assumption of that debt by the purchaser, and that assumption of debt constitutes chargeable consideration for the transaction.
- (1B) Where in a case in which sub-paragraph (1)(b) applies—  
     (a) the debt assumed is or includes debt secured on the property forming the subject-matter of the transaction, and  
     (b) immediately before the transaction there were two or more persons each holding an undivided share of that property, or there are two or more such persons immediately afterwards,

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the amount of secured debt assumed shall be determined as if the amount of that debt owed by each of those persons at a given time were the proportion of it corresponding to his undivided share of the property at that time.

(1C) For the purposes of sub-paragraph (1B), in England and Wales and Northern Ireland each joint tenant of property is treated as holding an equal undivided share of it.”

(4) In sub-paragraph (2) of that paragraph, for “sub-paragraph (1)” substitute “ this paragraph ”.

(5) After paragraph 8 insert—

#### 8A “Cases where conditions for exemption not fully met

(1) Where a land transaction would be exempt from charge under paragraph 3A of Schedule 3 (assents and appropriations by personal representatives) but for sub-paragraph (2) of that paragraph (cases where person acquiring property gives consideration for it), the chargeable consideration for the transaction does not include the amount of any secured debt assumed.

“Secured debt” has the same meaning as in that paragraph.

(2) Where a land transaction would be exempt from charge under paragraph 4 of Schedule 3 (variation of testamentary dispositions etc) but for a failure to meet the condition in sub-paragraph (2)(b) of that paragraph (no consideration other than variation of another disposition), the chargeable consideration for the transaction does not include the making of any such variation as is mentioned in that sub-paragraph.”

(6) The amendments made by subsections (3) and (4) apply in relation to any transaction of which the effective date (within the meaning of Part 4 of the Finance Act 2003 (c. 14)) is on or after the day on which this act is passed.

(7) The other amendments made by this section are deemed always to have had effect.

## 302 Charities relief

(1) In Schedule 8 to the Finance Act 2003 (stamp duty land tax: charities relief), after paragraph 2 insert—

#### “Cases where first condition not fully met

3 (1) This paragraph applies where—

- (a) a land transaction is not exempt from charge under paragraph 1 because the first condition in that paragraph is not met, but
- (b) the purchaser (“C”) intends to hold the greater part of the subject-matter of the transaction for qualifying charitable purposes.

(2) In such a case—

- (a) the transaction is exempt from charge, but
- (b) for the purposes of paragraph 2 (withdrawal of charities relief) “disqualifying event” includes—
  - (i) any transfer by C of a major interest in the whole or any part of the subject-matter of the transaction, or

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- (ii) any grant by C at a premium of a low-rental lease of the whole or any part of that subject-matter,  
that is not made in furtherance of the charitable purposes of C.
- (3) For the purposes of sub-paragraph (2)(b)(ii)—
- (a) a lease is granted “at a premium” if there is consideration other than rent, and
  - (b) a lease is a “low-rental” lease if the annual rent (if any) does not exceed £600 a year.
- (4) In relation to a transaction that, by virtue of this paragraph, is a disqualifying event for the purposes of paragraph 2—
- (a) the date of the event for those purposes is the effective date of the transaction;
  - (b) paragraph 2 has effect as if—
    - (i) in sub-paragraph (1)(b), for “at the time of” there were substituted “immediately before”,
    - (ii) in sub-paragraph (4)(a), for “at the time of” there were substituted “immediately before and immediately after”, and
    - (iii) sub-paragraph (4)(b) were omitted.
- (5) In this paragraph—  
“qualifying charitable purposes” has the same meaning as in paragraph 1;  
“rent” has the same meaning as in Schedule 5 (amount of tax chargeable: rent) and “annual rent” has the same meaning as in paragraph 9(2) of that Schedule.”
- (2) After paragraph 3 of that Schedule (inserted by subsection (1) above) insert—
- “Charitable trusts**
- 4 (1) This Schedule applies in relation to a charitable trust as it applies in relation to a charity.
- (2) In this paragraph “charitable trust” means—
- (a) a trust of which all the beneficiaries are charities, or
  - (b) a unit trust scheme in which all the unit holders are charities, and “charity” has the same meaning as in paragraph 1.
- (3) In this Schedule as it applies by virtue of this paragraph—
- (a) references to the purchaser in paragraphs (a) and (b) of paragraph 1(2) are to the beneficiaries or unit holders, or any of them;
  - (b) the reference to the purchaser in paragraph 2(3)(a) is to any of the beneficiaries or unit holders;
  - (c) the reference in paragraph 3(2)(b) to the charitable purposes of C is to those of the beneficiaries or unit holders, or any of them.”
- (3) In paragraph 1(1) of that Schedule, for “this paragraph” substitute “this Schedule”.

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- (4) In paragraph 2(1) of that Schedule, for “paragraph 1 (charities relief)” substitute “this Schedule”.
- (5) In section 81 (further return where relief withdrawn), in paragraph (c) of subsection (4) (meaning of “the disqualifying event”), after “paragraph 2(3)” insert “or 3(2)”.
- (6) In section 87 (interest on unpaid tax), in paragraph (c) of subsection (4) (meaning of “the disqualifying event”), after “paragraph 2(3)” insert “or 3(2)”.
- (7) This section applies in relation to any transaction of which the effective date (within the meaning of Part 4 of the Finance Act 2003 (c. 14)) is on or after the day on which this Act is passed.

### 303 Shared ownership leases

- (1) In Schedule 9 to the Finance Act 2003 (stamp duty land tax: right to buy, shared ownership leases etc), after paragraph 4 insert—

#### “Shared ownership lease: treatment of staircasing transaction

- 4A (1) This paragraph applies where under a shared ownership lease—
- (a) the lessee or lessees have the right, on the payment of a sum, to require the terms of the lease to be altered so that the rent payable under it is reduced, and
  - (b) by exercising that right the lessee or lessees acquire an interest, additional to one already held, calculated by reference to the market value of the dwelling and expressed as a percentage of the dwelling or its value (a “share of the dwelling”).
- (2) Such an acquisition is exempt from charge if—
- (a) an election was made for tax to be charged in accordance with paragraph 2 or, as the case may be, paragraph 4 and any tax chargeable in respect of the grant of the lease has been paid, or
  - (b) immediately after the acquisition the total share of the dwelling held by the lessee or lessees does not exceed 80%.
- (3) In this paragraph “shared ownership lease” means a lease granted—
- (a) by a qualifying body, or
  - (b) in pursuance of the preserved right to buy,
- in relation to which the conditions in paragraph 2(2) or 4(2) are met.
- (4) Section 118 (meaning of “market value”) does not apply in relation to the references in this paragraph to the market value of the dwelling.”
- (2) In sub-paragraph (1) of paragraph 5 of that Schedule (meaning of “qualifying body” and “preserved right to buy”) for “2 and 4” substitute “2, 4 and 4A”.
  - (3) In Schedule 19 to that Act (stamp duty land tax: commencement and transitional provisions), in paragraph 7 (earlier related transactions under stamp duty), for sub-paragraph (2) substitute—
    - “(2) In paragraph 3 of Schedule 9 (relief for transfer of reversion under shared ownership lease where election made for market value treatment) and paragraph 4A of that Schedule (shared ownership lease: treatment of

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staircasing transaction) as they apply in a case where the original lease was granted before the implementation date—

- (a) a reference to a lease to which paragraph 2 of that Schedule applies shall be read as a reference to a lease to which section 97 of the Finance Act 1980 applied (which made provision for stamp duty corresponding to that paragraph), and
- (b) a reference to an election having been made for tax to be charged in accordance with paragraph 2 or 4 of that Schedule shall be read as a reference to the lease having contained a statement of the parties' intention such as is mentioned in section 97(2)(d) of the Finance Act 1980 or, as the case may be, paragraph (d) of section 108(5) of the Finance Act 1981 (which made provision for stamp duty corresponding to paragraph 4).”.

(4) Subsections (1) and (2) apply in relation to an acquisition after 17th March 2004.

(5) Subsection (3) is deemed to have come into force on 1st December 2003.

#### **Commencement Information**

**I127** S. 303 wholly in force at Royal Assent; s. 303(3) in force retrospective to 1.12.2003 see s. 303(5)

### **304 Application to certain partnership transactions**

Schedule 41 to this Act (which makes provision with respect to the application of stamp duty land tax to certain transactions involving partnerships) has effect.

### **305 Liability of partners**

In paragraph 7 of Schedule 15 to the Finance Act 2003 (c. 14) (stamp duty land tax: joint and several liability of responsible partners) after sub-paragraph (1) insert—

“(1A) No amount may be recovered by virtue of sub-paragraph (1)(a) or (b) from a person who did not become a responsible partner until after the effective date of the transaction in respect of which the tax is payable.”

## **PART 7**

### **DISCLOSURE OF TAX AVOIDANCE SCHEMES**

#### **Modifications etc. (not altering text)**

**C167** Pt. 7 excluded (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 35 para. 13\(b\)](#)

### **306 Meaning of “notifiable arrangements” and “notifiable proposal”**

(1) In this Part “notifiable arrangements” means any arrangements which—

- (a) fall within any description prescribed by the Treasury by regulations,

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- (b) enable, or might be expected to enable, any person to obtain an advantage in relation to any tax that is so prescribed in relation to arrangements of that description, and
  - (c) are such that the main benefit, or one of the main benefits, that might be expected to arise from the arrangements is the obtaining of that advantage.
- (2) In this Part “notifiable proposal” means a proposal for arrangements which, if entered into, would be notifiable arrangements (whether the proposal relates to a particular person or to any person who may seek to take advantage of it).

#### **Commencement Information**

**1128** S. 306 wholly in force at 1.8.2004; s. 306 in force for certain purposes at Royal Assent and otherwise in force at 1.8.2004 see s. 319(1)

#### **[<sup>F867</sup>306] Doubt as to notifiability**

- (1) HMRC may apply to the [<sup>F868</sup>tribunal] for an order that—
  - (a) a proposal is to be treated as notifiable, or
  - (b) arrangements are to be treated as notifiable.
- (2) An application must specify—
  - (a) the proposal or arrangements in respect of which the order is sought, and
  - (b) the promoter.
- (3) On an application the [<sup>F869</sup>tribunal] may make the order only if satisfied that HMRC—
  - (a) have taken all reasonable steps to establish whether the proposal or arrangements are notifiable, and
  - (b) have reasonable grounds for suspecting that the proposal or arrangements may be notifiable.
- (4) Reasonable steps under subsection (3)(a) may (but need not) include taking action under section 313A or 313B.
- (5) Grounds for suspicion under subsection (3)(b) may include—
  - (a) the fact that the relevant arrangements fall within a description prescribed under section 306(1)(a);
  - (b) an attempt by the promoter to avoid or delay providing information or documents about the proposal or arrangements under or by virtue of section 313A or 313B;
  - (c) the promoter's failure to comply with a requirement under or by virtue of section 313A or 313B in relation to another proposal or other arrangements.
- (6) Where an order is made under this section in respect of a proposal or arrangements, the prescribed period for the purposes of section 308(1) or (3) in so far as it applies by virtue of the order—
  - (a) shall begin after a date prescribed for the purpose, and
  - (b) may be of a different length than the prescribed period for the purpose of other applications of section 308(1) or (3).

*Status: Point in time view as at 06/04/2021.*

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- (7) An order under this section in relation to a proposal or arrangements is without prejudice to the possible application of section 308, other than by virtue of this section, to the proposal or arrangements.]

#### Textual Amendments

- F867** S. 306A inserted (19.7.2007) by [Finance Act 2007 \(c. 11\), s. 108\(2\)](#) (with s. 108(10))
- F868** Word in s. 306A(1) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 429](#)
- F869** Word in s. 306A(3) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 429](#)

### 307 Meaning of “promoter”

- (1) For the purposes of this Part a person is a promoter—
- (a) in relation to a notifiable proposal, if, in the course of a relevant [<sup>F870</sup>business, the person (“P”)—
    - (i) is to any extent responsible for the design of the proposed arrangements,
    - (ii) makes a firm approach to another person (“C”) in relation to the notifiable proposal with a view to P making the notifiable proposal available for implementation by C or any other person, or
    - (iii) makes] the notifiable proposal available for implementation by other persons, and
  - (b) in relation to notifiable arrangements, if he is by virtue of paragraph (a) (ii) [<sup>F871</sup>or (iii)] a promoter in relation to a notifiable proposal which is implemented by those arrangements or if, in the course of a relevant business, he is to any extent responsible for—
    - (i) the design of the arrangements, or
    - (ii) the organisation or management of the arrangements.
- [<sup>F872</sup>(1A) For the purposes of this Part a person is an introducer in relation to a notifiable proposal if the person makes a marketing contact with another person in relation to the notifiable proposal.]
- (2) In this section “relevant business” means any trade, profession or business which—
- (a) involves the provision to other persons of services relating to taxation, or
  - (b) is carried on by a bank, as defined by [<sup>F873</sup>section 1120 of the Corporation Tax Act 2010] , or by a securities house, as defined by [<sup>F874</sup>section 1009(3)] of that Act.
- (3) For the purposes of this section anything done by a company is to be taken to be done in the course of a relevant business if it is done for the purposes of a relevant business falling within subsection (2)(b) carried on by another company which is a member of the same group.
- (4) Section 170 of the Taxation of Chargeable Gains Act 1992 (c. 12) has effect for determining for the purposes of subsection (3) whether two companies are members of the same group, but as if in that section—
- (a) for each of the references to a 75 per cent subsidiary there were substituted a reference to a 51 per cent subsidiary, and



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- (b) subsection (3)(b) and subsections (6) to (8) were omitted.
- [<sup>F875</sup>(4A) For the purposes of this Part a person makes a firm approach to another person in relation to a notifiable proposal if the person makes a marketing contact with the other person in relation to the notifiable proposal at a time when the proposed arrangements have been substantially designed.
- (4B) For the purposes of this Part a person makes a marketing contact with another person in relation to a notifiable proposal if—
- (a) the person communicates information about the notifiable proposal to the other person,
  - (b) the communication is made with a view to that other person, or any other person, entering into transactions forming part of the proposed arrangements, and
  - (c) the information communicated includes an explanation of the advantage in relation to any tax that might be expected to be obtained from the proposed arrangements.
- (4C) For the purposes of subsection (4A) proposed arrangements have been substantially designed at any time if by that time the nature of the transactions to form part of them has been sufficiently developed for it to be reasonable to believe that a person who wished to obtain the advantage mentioned in subsection (4B)(c) might enter into—
- (a) transactions of the nature developed, or
  - (b) transactions not substantially different from transactions of that nature.]
- (5) A person is not to be treated as a promoter [<sup>F876</sup>or introducer] for the purposes of this Part by reason of anything done in prescribed circumstances.
- [<sup>F877</sup>(6) In the application of this Part to a proposal or arrangements which are not notifiable, a reference to a promoter [<sup>F878</sup>or introducer] is a reference to a person who would be a promoter [<sup>F878</sup>or introducer] under subsections (1) to (5) if the proposal or arrangements were notifiable.]

#### Textual Amendments

- F870** Words in s. 307(1)(a) substituted (1.1.2011) by [Finance Act 2010 \(c. 13\)](#), [Sch. 17 para. 2\(2\)](#); S.I. 2010/3019, art. 2
- F871** Words in s. 307(1)(b) inserted (1.1.2011) by [Finance Act 2010 \(c. 13\)](#), [Sch. 17 para. 2\(3\)](#); S.I. 2010/3019, art. 2
- F872** S. 307(1A) inserted (1.1.2011) by [Finance Act 2010 \(c. 13\)](#), [Sch. 17 para. 2\(4\)](#); S.I. 2010/3019, art. 2
- F873** Words in s. 307(2)(b) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1 para. 429\(a\)](#) (with Sch. 2)
- F874** Words in s. 307(2)(b) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1 para. 429\(b\)](#) (with Sch. 2)
- F875** S. 307(4A)-(4C) inserted (1.1.2011) by [Finance Act 2010 \(c. 13\)](#), [Sch. 17 para. 2\(5\)](#); S.I. 2010/3019, art. 2
- F876** Words in s. 307(5) inserted (1.1.2011) by [Finance Act 2010 \(c. 13\)](#), [Sch. 17 para. 2\(6\)](#); S.I. 2010/3019, art. 2
- F877** S. 307(6) inserted (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), s. 108(3) (with s. 108(10))
- F878** Words in s. 307(6) inserted (1.1.2011) by [Finance Act 2010 \(c. 13\)](#), [Sch. 17 para. 2\(7\)](#); S.I. 2010/3019, art. 2

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#### **Modifications etc. (not altering text)**

**C168** S. 307 applied (with modifications) (22.7.2020) by [Finance Act 2020 \(c. 14\)](#), [Sch. 13 para. 6\(3\)](#)

#### **Commencement Information**

**I129** S. 307 wholly in force at 1.8.2004; s. 307 in force for certain purposes at Royal Assent and otherwise in force at 1.8.2004 see s. 319(1)

### **308 Duties of promoter**

- (1) [<sup>F879</sup>A person who is a promoter in relation to a notifiable proposal] must, within the prescribed period after the relevant date, provide the Board with prescribed information relating to [<sup>F880</sup>the] notifiable proposal.
- (2) In subsection (1) “the relevant date” means the [<sup>F881</sup>earliest] of the following—
  - [<sup>F882</sup>(za) the date on which the promoter first makes a firm approach to another person in relation to a notifiable proposal,]
  - (a) the date on which the promoter makes [<sup>F883</sup>the] notifiable proposal available for implementation by any other person, or
  - (b) the date on which the promoter first becomes aware of any transaction forming part of notifiable arrangements implementing the notifiable proposal.
- (3) [<sup>F884</sup>A person who is a promoter in relation to notifiable arrangements] must, within the prescribed period after the date on which he first becomes aware of any transaction forming part of [<sup>F885</sup>the notifiable] arrangements, provide the Board with prescribed information relating to those arrangements, unless those arrangements implement a proposal in respect of which notice has been given under subsection (1).
- [<sup>F886</sup>(4) Subsection (4A) applies where a person complies with subsection (1) in relation to a notifiable proposal for arrangements and another person is—
  - (a) also a promoter in relation to the notifiable proposal or is a promoter in relation to a notifiable proposal for arrangements which are substantially the same as the proposed arrangements (whether they relate to the same or different parties), or
  - (b) a promoter in relation to notifiable arrangements implementing the notifiable proposal or notifiable arrangements which are substantially the same as notifiable arrangements implementing the notifiable proposal (whether they relate to the same or different parties).
- (4A) Any duty of the other person under subsection (1) or (3) in relation to the notifiable proposal or notifiable arrangements is discharged if—
  - (a) the person who complied with subsection (1) has notified the identity and address of the other person to HMRC or the other person holds the reference number allocated to the proposed notifiable arrangements under section 311, and
  - (b) the other person holds the information provided to HMRC in compliance with subsection (1).
- (4B) Subsection (4C) applies where a person complies with subsection (3) in relation to notifiable arrangements and another person is—
  - (a) a promoter in relation to a notifiable proposal for arrangements which are substantially the same as the notifiable arrangements (whether they relate to the same or different parties), or

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- (b) also a promoter in relation to the notifiable arrangements or notifiable arrangements which are substantially the same (whether they relate to the same or different parties).
- (4C) Any duty of the other person under subsection (1) or (3) in relation to the notifiable proposal or notifiable arrangements is discharged if—
- (a) the person who complied with subsection (3) has notified the identity and address of the other person to HMRC or the other person holds the reference number allocated to the notifiable arrangements under section 311, and
  - (b) the other person holds the information provided to HMRC in compliance with subsection (3).]
- (5) Where a person is a promoter in relation to two or more notifiable proposals or sets of notifiable arrangements which are substantially the same (whether they relate to the same parties or different parties), he need not provide information under subsection (1) or (3) if he has already provided information under either of those subsections in relation to any of the other proposals or arrangements.
- [<sup>F887</sup>(6) The Treasury may by regulations provide for this section to apply with modifications in relation to proposals or arrangements that—
- (a) enable, or might be expected to enable, a person to obtain an advantage in relation to stamp duty land tax, and
  - (b) are of a description specified in the regulations.]

#### Textual Amendments

- F879** Words in s. 308(1) substituted (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by [Finance Act 2008 \(c. 9\)](#), s. 116(2), [Sch. 38 para. 2\(2\)\(a\)](#); S.I. 2008/1935, art. 2(1) (with art. 2(2)); S.I. 2010/409, art. 2
- F880** Word in s. 308(1) substituted (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by [Finance Act 2008 \(c. 9\)](#), s. 116(2), [Sch. 38 para. 2\(2\)\(b\)](#); S.I. 2008/1935, art. 2(1) (with art. 2(2)); S.I. 2010/409, art. 2
- F881** Word in s. 308(2) substituted (1.1.2011) by [Finance Act 2010 \(c. 13\)](#), [Sch. 17 para. 3\(2\)](#); S.I. 2010/3019, art. 2
- F882** S. 308(2)(za) inserted (1.1.2011) by [Finance Act 2010 \(c. 13\)](#), [Sch. 17 para. 3\(3\)](#); S.I. 2010/3019, art. 2
- F883** Word in s. 308(2)(a) substituted (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by [Finance Act 2008 \(c. 9\)](#), s. 116(2), [Sch. 38 para. 2\(3\)](#); S.I. 2008/1935, art. 2(1) (with art. 2(2)); S.I. 2010/409, art. 2
- F884** Words in s. 308(3) substituted (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by [Finance Act 2008 \(c. 9\)](#), s. 116(2), [Sch. 38 para. 2\(4\)\(a\)](#); S.I. 2008/1935, art. 2(1) (with art. 2(2)); S.I. 2010/409, art. 2
- F885** Words in s. 308(3) substituted (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by [Finance Act 2008 \(c. 9\)](#), s. 116(2), [Sch. 38 para. 2\(4\)\(b\)](#); S.I. 2008/1935, art. 2(1) (with art. 2(2)); S.I. 2010/409, art. 2
- F886** S. 308(4)-(4C) substituted for s. 308(4) (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by [Finance Act 2008 \(c. 9\)](#), s. 116(2), [Sch. 38 para. 2\(5\)](#); S.I. 2008/1935, art. 2(1) (with art. 2(2)); S.I. 2010/409, art. 2
- F887** S. 308(6) inserted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), s. 215

#### Modifications etc. (not altering text)

- C169** S. 308 applied (with modifications) (1.11.2012) by [The Stamp Duty Land Tax \(Avoidance Schemes\) \(Specified Proposals or Arrangements\) Regulations 2012 \(S.I. 2012/2396\)](#), regs. 1, 5, 6

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### Commencement Information

**I130** S. 308 wholly in force at 1.8.2004; s. 308 in force for certain purposes at Royal Assent and otherwise in force at 1.8.2004 see s. 319(1)

### [<sup>F888</sup>308] Supplemental information

- (1) This section applies where—
  - (a) a promoter (P) has provided information in purported compliance with section 308(1) or (3), but
  - (b) HMRC believe that P has not provided all the prescribed information.
- (2) HMRC may apply to the [<sup>F889</sup>tribunal] for an order requiring P to provide specified information about, or documents relating to, the notifiable proposal or arrangements.
- (3) The [<sup>F889</sup>tribunal] may make an order under subsection (2) in respect of information or documents only if satisfied that HMRC have reasonable grounds for suspecting that the information or documents—
  - (a) form part of the prescribed information, or
  - (b) will support or explain the prescribed information.
- (4) A requirement by virtue of subsection (2) shall be treated as part of P's duty under section 308(1) or (3).
- (5) In so far as P's duty under section 308(1) or (3) arises out of a requirement by virtue of subsection (2) above, the prescribed period shall begin after a date prescribed for the purpose.
- (6) In so far as P's duty under section 308(1) or (3) arises out of a requirement by virtue of subsection (2) above, the prescribed period—
  - (a) may be of a different length than the prescribed period for the purpose of other applications of section 308(1) or (3), and
  - (b) may be extended by HMRC by direction.]

### Textual Amendments

**F888** S. 308A inserted (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), s. 108(4) (with s. 108(10))

**F889** Word in s. 308A(2)(3) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 430](#)

### 309 Duty of person dealing with promoter outside United Kingdom

- (1) Any person (“the client”) who enters into any transaction forming part of any notifiable arrangements in relation to which—
  - (a) a promoter is resident outside the United Kingdom, and
  - (b) no promoter is resident in the United Kingdom,
 must, within the prescribed period after doing so, provide the Board with prescribed information relating to the notifiable arrangements.
- (2) Compliance with section 308(1) by any promoter in relation to the notifiable arrangements discharges the duty of the client under subsection (1).

*Status: Point in time view as at 06/04/2021.*

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#### Commencement Information

**I131** S. 309 wholly in force at 1.8.2004; s. 309 in force for certain purposes at Royal Assent and otherwise in force at 1.8.2004 see s. 319(1)

### **310 Duty of parties to notifiable arrangements not involving promoter**

Any person who enters into any transaction forming part of notifiable arrangements as respects which neither he nor any other person in the United Kingdom is liable to comply with section 308 (duties of promoter) or section 309 (duty of person dealing with promoter outside the United Kingdom) must at the prescribed time provide the Board with prescribed information relating to the notifiable arrangements.

#### Commencement Information

**I132** S. 310 wholly in force at 1.8.2004; s. 310 in force for certain purposes at Royal Assent and otherwise in force at 1.8.2004 see s. 319(1)

### **[<sup>F890</sup>310A] Duty to provide further information requested by HMRC**

- (1) This section applies where—
  - (a) a person has provided the prescribed information about notifiable proposals or arrangements in compliance with section 308, 309 or 310, or
  - (b) a person has provided information in purported compliance with section 309 or 310 but HMRC believe that the person has not provided all the prescribed information.
- (2) HMRC may require the person to provide—
  - (a) further specified information about the notifiable proposals or arrangements (in addition to the prescribed information under section 308, 309 or 310);
  - (b) documents relating to the notifiable proposals or arrangements.
- (3) Where HMRC impose a requirement on a person under this section, the person must comply with the requirement within—
  - (a) the period of 10 working days beginning with the day on which HMRC imposed the requirement, or
  - (b) such longer period as HMRC may direct.

#### Textual Amendments

**F890** Ss. 310A, 310B inserted (17.7.2014) by [Finance Act 2014 \(c. 26\), s. 284\(2\)](#) (with [s. 284\(11\)](#))

### **310B Failure to provide information under section 310A: application to the Tribunal**

- (1) This section applies where HMRC—
  - (a) have required a person to provide information or documents under section 310A, but
  - (b) believe that the person has failed to provide the information or documents required.

*Status: Point in time view as at 06/04/2021.*

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- (2) HMRC may apply to the tribunal for an order requiring the person to provide the information or documents required.
- (3) The tribunal may make an order under subsection (2) only if satisfied that HMRC have reasonable grounds for suspecting that the information or documents will assist HMRC in considering the notifiable proposals or arrangements.
- (4) Where the tribunal makes an order under subsection (2), the person must comply with it within—
  - (a) the period of 10 working days beginning with the day on which the tribunal made the order, or
  - (b) such longer period as HMRC may direct.]

#### Textual Amendments

**F890** Ss. 310A, 310B inserted (17.7.2014) by [Finance Act 2014 \(c. 26\), s. 284\(2\)](#) (with [s. 284\(11\)](#))

### [<sup>F891</sup> 310 Duty of promoters to provide updated information

- (1) This section applies where—
  - (a) information has been provided under section 308 about any notifiable arrangements, or proposed notifiable arrangements, to which a reference number is allocated under section 311, and
  - (b) after the provision of the information, there is a change in relation to the arrangements of a kind mentioned in subsection (2).
- (2) The changes referred to in subsection (1)(b) are—
  - (a) a change in the name by which the notifiable arrangements, or proposed notifiable arrangements, are known;
  - (b) a change in the name or address of any person who is a promoter in relation to the notifiable arrangements or, in the case of proposed notifiable arrangements, the notifiable proposal.
- (3) A person who is a promoter in relation to the notifiable arrangements or, in the case of proposed notifiable arrangements, the notifiable proposal must inform HMRC of the change mentioned in subsection (1)(b) within 30 days after it is made.
- (4) Subsections (5) and (6) apply for the purposes of subsection (3) where there is more than one person who is a promoter in relation to the notifiable arrangements or proposal.
- (5) If the change in question is a change in the name or address of a person who is a promoter in relation to the notifiable arrangements or proposal, it is the duty of that person to comply with subsection (3).
- (6) If a person provides information in compliance with subsection (3), the duty imposed by that subsection on any other person, so far as relating to the provision of that information, is discharged.]

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### Textual Amendments

**F891** S. 310C inserted (with application in accordance with Sch. 17 para. 19 of the amending Act) by [Finance Act 2015 \(c. 11\)](#), [Sch. 17 para. 1](#)

## 311 Arrangements to be given reference number

- (1) Where a person complies [<sup>F892</sup>or purports to comply] with section 308(1) or (3), 309(1) or 310 in relation to any notifiable proposal or notifiable arrangements, the Board <sup>F893</sup>...—
- (a) [<sup>F894</sup>may within [<sup>F895</sup>90 days]] allocate a reference number to the notifiable arrangements or, in the case of a notifiable proposal, to the proposed notifiable arrangements, and
- (b) if it does so, [<sup>F896</sup>must notify that number to the person and (where the person is one who has complied or purported to comply with section 308(1) or (3)) to any other person—
- (i) who is a promoter in relation to the notifiable proposal (or arrangements implementing the notifiable proposal) or the notifiable arrangements (or proposal implemented by the notifiable arrangements), and
- (ii) whose identity and address has been notified to HMRC by the person.]
- (2) The allocation of a reference number to any notifiable arrangements (or proposed notifiable arrangements) is not to be regarded as constituting any indication by the Board that the arrangements could as a matter of law result in the obtaining by any person of a tax advantage.
- (3) In this Part “reference number”, in relation to any notifiable arrangements, means the reference number allocated under this section.

### Textual Amendments

**F892** Words in s. 311(1) inserted (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by [Finance Act 2008 \(c. 9\)](#), s. 116(2), [Sch. 38 para. 3\(a\)](#); [S.I. 2008/1935](#), art. 2(1) (with art. 2(2)); [S.I. 2010/409](#), art. 2

**F893** Words in s. 311(1) omitted (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by virtue of [Finance Act 2008 \(c. 9\)](#), s. 116(2), [Sch. 38 para. 3\(b\)](#); [S.I. 2008/1935](#), art. 2(1) (with art. 2(2)); [S.I. 2010/409](#), art. 2

**F894** Words in s. 311(1) inserted (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by [Finance Act 2008 \(c. 9\)](#), s. 116(2), [Sch. 38 para. 3\(c\)](#); [S.I. 2008/1935](#), art. 2(1) (with art. 2(2)); [S.I. 2010/409](#), art. 2

**F895** Words in s. 311(1)(a) substituted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 17 para. 4](#)

**F896** Words in s. 311(1) substituted (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by [Finance Act 2008 \(c. 9\)](#), s. 116(2), [Sch. 38 para. 3\(d\)](#); [S.I. 2008/1935](#), art. 2(1) (with art. 2(2)); [S.I. 2010/409](#), art. 2

### Commencement Information

**I133** S. 311 wholly in force at 1.8.2004; s. 311 in force for certain purposes at Royal Assent and otherwise in force at 1.8.2004 see s. 319(1)

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### <sup>F897</sup> 312 Duty of promoter to notify client of number

- (1) This section applies where a person who is a promoter in relation to notifiable arrangements is providing (or has provided) services to any person (“the client”) in connection with the notifiable arrangements.
- (2) The promoter must, within 30 days after the relevant date, provide the client with prescribed information relating to any reference number (or, if more than one, any one reference number) that has been notified to the promoter (whether by HMRC or any other person) in relation to—
  - (a) the notifiable arrangements, or
  - (b) any arrangements substantially the same as the notifiable arrangements (whether involving the same or different parties).
- (3) In subsection (2) “the relevant date” means the later of—
  - (a) the date on which the promoter becomes aware of any transaction which forms part of the notifiable arrangements, and
  - (b) the date on which the reference number is notified to the promoter.
- (4) But where the conditions in subsection (5) are met the duty imposed on the promoter under subsection (2) to provide the client with information in relation to notifiable arrangements is discharged.
- (5) Those conditions are that —
  - (a) the promoter is also a promoter in relation to a notifiable proposal and provides services to the client in connection with them both,
  - (b) the notifiable proposal and the notifiable arrangements are substantially the same, and
  - (c) the promoter has provided to the client, in a form and manner specified by HMRC, prescribed information relating to the reference number that has been notified to the promoter in relation to the proposed notifiable arrangements.
- (6) HMRC may give notice that, in relation to notifiable arrangements specified in the notice, promoters are not under the duty under subsection (2) after the date specified in the notice.

#### Textual Amendments

**F897** Ss. 312, 312A substituted for s. 312 (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by [Finance Act 2008 \(c. 9\)](#), s. 116(2), [Sch. 38 para. 4](#); [S.I. 2008/1935](#), art. 2(1) (with art. 2(2)); [S.I. 2010/409](#), art. 2

### 312A Duty of client to notify parties of number

- (1) This section applies where a person (a “client”) to whom a person who is a promoter in relation to notifiable arrangements or a notifiable proposal is providing (or has provided) services in connection with the notifiable arrangements or notifiable proposal receives prescribed information relating to the reference number allocated to the notifiable arrangements or proposed notifiable arrangements.
- (2) The client must, within the prescribed period, provide prescribed information relating to the reference number to any other person—



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- (a) who the client might reasonably be expected to know is or is likely to be a party to the arrangements or proposed arrangements, and
- (b) who might reasonably be expected to gain a tax advantage in relation to any relevant tax by reason of the arrangements or proposed arrangements.

[<sup>F898</sup>(2A) Where the client—

- (a) is an employer, and
  - (b) by reason of the arrangements or proposed arrangements, receives or might reasonably be expected to receive an advantage, in relation to any relevant tax, in relation to the employment of one or more of the client's employees,
- the client must, within the prescribed period, provide to each of the client's relevant employees prescribed information relating to the reference number.]

[<sup>F899</sup>(3) For the purposes of this section—

- (a) a tax is a “relevant tax”, in relation to arrangements or arrangements proposed in a proposal of any description, if it is prescribed in relation to arrangements or proposals of that description by regulations under section 306;
  - (b) “relevant employee” means an employee in relation to whose employment the client receives or might reasonably be expected to receive the advantage mentioned in subsection (2A);
  - (c) “employee” includes a former employee;
  - (d) a reference to employment includes holding an office (and references to “employee” and “employer” are to be construed accordingly).]
- (4) HMRC may give notice that, in relation to notifiable arrangements or a notifiable proposal specified in the notice, persons are not under [<sup>F900</sup>one or both of the duties under this section] after the date specified in the notice.
- (5) The duty under subsection (2) [<sup>F901</sup>or (2A)] does not apply in prescribed circumstances.]

#### Textual Amendments

- F897** Ss. 312, 312A substituted for s. 312 (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by [Finance Act 2008 \(c. 9\)](#), s. 116(2), [Sch. 38 para. 4](#); [S.I. 2008/1935](#), [art. 2\(1\)](#) (with [art. 2\(2\)](#)); [S.I. 2010/409](#), [art. 2](#)
- F898** S. 312A(2A) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 17 para. 5\(2\)](#)
- F899** S. 312A(3) substituted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 17 para. 5\(3\)](#)
- F900** Words in s. 312A(4) substituted (with application in accordance with Sch. 15 para. 20 of the amending Act) by [Finance Act 2015 \(c. 11\)](#), [Sch. 17 para. 5\(4\)](#)
- F901** Words in s. 312A(5) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 17 para. 5\(5\)](#)

[<sup>F902</sup>**312B**Duty of client to provide information to promoter

- (1) This section applies where a person who is a promoter in relation to notifiable arrangements has provided a person (“the client”) with the information prescribed under section 312(2) (duty of promoter to notify client of reference number).
- (2) The client must, within the prescribed period, provide the promoter with prescribed information relating to the client.
- (3) The duty under subsection (2) is subject to any exceptions that may be prescribed.]

*Status: Point in time view as at 06/04/2021.*

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### Textual Amendments

**F902** S. 312B inserted (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), [s. 223\(2\)](#)

## 313 Duty of parties to notifiable arrangements to notify Board of number, etc.

- (1) Any person who is a party to any notifiable arrangements must provide the Board with prescribed information relating to—
- (a) any reference number notified to him <sup>F903</sup>..., and
  - (b) the time when he obtains or expects to obtain by virtue of the arrangements an advantage in relation to any relevant tax.
- (2) For the purposes of subsection (1) a tax is a “relevant tax” in relation to any notifiable arrangements if it is prescribed in relation to arrangements of that description by regulations under section 306.
- (3) Regulations [<sup>F904</sup>made by HMRC] may—
- (a) in prescribed cases, require the [<sup>F905</sup>information prescribed under subsection (1)] to be included in any return or account which the person is required by or under any enactment to deliver to the Board, and
  - (b) in prescribed cases, require the [<sup>F906</sup>information prescribed under subsection (1) and such other information as is prescribed] to be provided separately to the Board at the prescribed time or times.
- (4) A person is not liable to a penalty under—
- [<sup>F907</sup>(a) any provision relating to incorrect or uncorrected returns made under section 98 of the Finance Act 1986 (administration of stamp duty reserve tax),
  - (b) Schedule 24 to the Finance Act 2007 (penalties for errors), or
  - (c) any other prescribed provision,]
- by reason of any failure to include in any return or account any reference number or other information required by virtue of subsection (3)(a) (but see section 98C of the Taxes Management Act 1970 for the penalty for failure to comply with this section).
- [<sup>F908</sup>(5) HMRC may give notice that, in relation to notifiable arrangements specified in the notice, persons are not under the duty under subsection (1) after the date specified in the notice.]
- [<sup>F909</sup>(6) The duty under subsection (1) does not apply in prescribed circumstances.]

### Textual Amendments

- F903** Words in s. 313(1)(a) omitted (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by virtue of [Finance Act 2008 \(c. 9\)](#), [s. 116\(2\)](#), [Sch. 38 para. 5\(2\)](#); [S.I. 2008/1935](#), [art. 2\(1\)](#) (with [art. 2\(2\)](#)); [S.I. 2010/409](#), [art. 2](#)
- F904** Words in s. 313(3) substituted (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by [Finance Act 2008 \(c. 9\)](#), [s. 116\(2\)](#), [Sch. 38 para. 5\(3\)\(a\)](#); [S.I. 2008/1935](#), [art. 2\(1\)](#) (with [art. 2\(2\)](#)); [S.I. 2010/409](#), [art. 2](#)
- F905** Words in s. 313(3)(a) substituted (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by [Finance Act 2008 \(c. 9\)](#), [s. 116\(2\)](#), [Sch. 38 para. 5\(3\)\(b\)](#); [S.I. 2008/1935](#), [art. 2\(1\)](#) (with [art. 2\(2\)](#)); [S.I. 2010/409](#), [art. 2](#)

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**F906** Words in s. 313(3)(b) substituted (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by Finance Act 2008 (c. 9), s. 116(2), **Sch. 38 para. 5(3)(c)**; S.I. 2008/1935, art. 2(1) (with art. 2(2)); S.I. 2010/409, art. 2

**F907** S. 313(4)(a)-(c) substituted for s. 313(4)(a)-(g) (1.4.2009) by The Finance Act 2008, Schedule 40 (Appointed Day, Transitional Provisions and Consequential Amendments) Order 2009 (S.I. 2009/571), art. 1(1), **Sch. 1 para. 26**

**F908** S. 313(5) inserted (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by Finance Act 2008 (c. 9), s. 116(2), **Sch. 38 para. 5(4)**; S.I. 2008/1935, art. 2(1) (with art. 2(2)); S.I. 2010/409, art. 2

**F909** S. 313(6) inserted (26.3.2015) by Finance Act 2015 (c. 11), **Sch. 17 para. 6**

#### Commencement Information

**I134** S. 313 wholly in force at 1.8.2004; s. 313 in force for certain purposes at Royal Assent and otherwise in force at 1.8.2004 see s. 319(1)

### [<sup>F910</sup>313ZA] **Duty to provide details of clients**

- (1) This section applies where a person who is a promoter in relation to notifiable arrangements is providing (or has provided) services to any person (“the client”) in connection with the notifiable arrangements and either—
  - (a) the promoter is subject to the reference number information requirement, or
  - (b) the promoter has failed to comply with section 308(1) or (3) in relation to the notifiable arrangements (or the notifiable proposal for them) but would be subject to the reference number information requirement if a reference number had been allocated to the notifiable arrangements.
- (2) For the purposes of this section “the reference number information requirement” is the requirement under section 312(2) to provide to the client prescribed information relating to the reference number allocated to the notifiable arrangements.
- (3) The promoter must, within the prescribed period after the end of the relevant period, provide HMRC with prescribed information in relation to the client.
- (4) In subsection (3) “the relevant period” means such period during which the promoter is or would be subject to the reference number information requirement as is prescribed.
- (5) The promoter need not comply with subsection (3) in relation to any notifiable arrangements at any time after HMRC have given notice under section 312(6) in relation to the notifiable arrangements.]

#### Textual Amendments

**F910** S. 313ZA inserted (1.1.2011) by Finance Act 2010 (c. 13), **Sch. 17 para. 6**; S.I. 2010/3019, art. 2

### [<sup>F911</sup>313ZB] **Inquiry following disclosure of client details**

- (1) This section applies where—
  - (a) a person who is a promoter in relation to notifiable arrangements has provided HMRC with information in relation to a person (“the client”) under section 313ZA(3) (duty to provide client details), and
  - (b) HMRC suspect that a person other than the client is or is likely to be a party to the arrangements.

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- (2) HMRC may by written notice require the promoter to provide prescribed information in relation to any person other than the client who the promoter might reasonably be expected to know is or is likely to be a party to the arrangements.
- (3) The promoter must comply with a requirement under or by virtue of subsection (2) within—
  - (a) the prescribed period, or
  - (b) such longer period as HMRC may direct.]

**Textual Amendments**

**F911** S. 313ZB inserted (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), s. 223(3)

**[<sup>F912</sup>313ZC] Duty of employer to notify HMRC of details of employees etc**

- (1) This section applies if conditions A, B and C are met.
- (2) Condition A is that a person who is a promoter in relation to notifiable arrangements or a notifiable proposal is providing (or has provided) services in connection with the notifiable arrangements or notifiable proposal to a person (“the client”).
- (3) Condition B is that the client receives information under section 312(2) or as mentioned in section 312(5).
- (4) Condition C is that the client is an employer in circumstances where, as a result of the notifiable arrangement or proposed notifiable arrangement—
  - (a) one or more of the client's employees receive, or might reasonably be expected to receive, in relation to their employment, an advantage in relation to any relevant tax, or
  - (b) the client receives or might reasonably be expected to receive such an advantage in relation to the employment of one or more of the client's employees.
- (5) Where an employee is within subsection (4)(a), or is an employee mentioned in subsection (4)(b), the client must provide HMRC with prescribed information relating to the employee at the prescribed time or times.
- (6) The client need not comply with subsection (5) in relation to any notifiable arrangements at any time after HMRC have given notice under section 312(6) or 313(5) in relation to the notifiable arrangements.
- (7) The duty under subsection (5) does not apply in prescribed circumstances.
- (8) Section 312A(3) applies for the purposes of this section as it applies for the purposes of that section.]

**Textual Amendments**

**F912** S. 313ZC inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 17 para. 9](#)

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### [<sup>F913</sup>313A] Pre-disclosure enquiry

- (1) Where HMRC suspect that a person (P) is the promoter [<sup>F914</sup>or introducer of a proposal, or the promoter of arrangements,] which may be notifiable, they may by written notice require P to state—
  - (a) whether in P's opinion the proposal or arrangements are notifiable by P, and
  - (b) if not, the reasons for P's opinion.
- (2) A notice must specify the proposal or arrangements to which it relates.
- (3) For the purpose of subsection (1)(b)—
  - (a) it is not sufficient to refer to the fact that a lawyer or other professional has given an opinion,
  - (b) the reasons must show, by reference to this Part and regulations under it, why P thinks the proposal or arrangements are not notifiable by P, and
  - (c) in particular, if P asserts that the arrangements do not fall within any description prescribed under section 306(1)(a), the reasons must provide sufficient information to enable HMRC to confirm the assertion.
- (4) P must comply with a requirement under or by virtue of subsection (1) within—
  - (a) the prescribed period, or
  - (b) such longer period as HMRC may direct.

#### Textual Amendments

**F913** Ss. 313A, 313B inserted (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), **s. 108(5)** (with s. 108(10))

**F914** Words in s. 313A(1) substituted (1.1.2011) by [Finance Act 2010 \(c. 13\)](#), **Sch. 17 para. 4**; [S.I. 2010/3019](#), art. 2

### 313B Reasons for non-disclosure: supporting information

- (1) Where HMRC receive from a person (P) a statement of reasons why a proposal or arrangements are not notifiable by P, HMRC may apply to the [<sup>F915</sup>tribunal] for an order requiring P to provide specified information or documents in support of the reasons.
- (2) P must comply with a requirement under or by virtue of subsection (1) within—
  - (a) the prescribed period, or
  - (b) such longer period as HMRC may direct.
- (3) The power under subsection (1)—
  - (a) may be exercised more than once, and
  - (b) applies whether or not the statement of reasons was received under section 313A(1)(b).]

#### Textual Amendments

**F913** Ss. 313A, 313B inserted (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), **s. 108(5)** (with s. 108(10))

**F915** Word in s. 313B(1) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 431**

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### [<sup>F916</sup>313Q<sup>F917</sup> Provision of information to HMRC by introducers]

- [<sup>F918</sup>(1) This section applies where HMRC suspect—
- (a) that a person (“P”) is an introducer in relation to a proposal, and
  - (b) that the proposal may be notifiable.
- (1A) HMRC may by written notice require P to provide HMRC with one or both of the following—
- (a) prescribed information in relation to each person who has provided P with any information relating to the proposal;
  - (b) prescribed information in relation to each person with whom P has made a marketing contact in relation to the proposal.]
- (2) A notice must specify the proposal to which it relates.
- (3) P must comply with a requirement under [<sup>F919</sup>subsection (1A)] within—
- (a) the prescribed period, or
  - (b) such longer period as HMRC may direct.]

#### Textual Amendments

- F916** S. 313C inserted (1.1.2011) by Finance Act 2010 (c. 13), **Sch. 17 para. 9**; S.I. 2010/3019, art. 2
- F917** S. 313C heading substituted (26.3.2015) by Finance Act 2015 (c. 11), **Sch. 17 para. 12(4)**
- F918** S. 313C(1)(1A) substituted for s. 313C(1) (26.3.2015) by Finance Act 2015 (c. 11), **Sch. 17 para. 12(2)**
- F919** Words in s. 313C(3) substituted (26.3.2015) by Finance Act 2015 (c. 11), **Sch. 17 para. 12(3)**

### 314 Legal professional privilege

- (1) Nothing in this Part requires any person to disclose to the Board any privileged information.
- (2) In this Part “privileged information” means information with respect to which a claim to legal professional privilege, or, in Scotland, to confidentiality of communications, could be maintained in legal proceedings.

#### Commencement Information

- I135** S. 314 wholly in force at 1.8.2004; s. 314 in force for certain purposes at Royal Assent and otherwise in force at 1.8.2004 see s. 319(1)

### [<sup>F920</sup>314A Order to disclose

- (1) HMRC may apply to the [<sup>F921</sup>tribunal] for an order that—
  - (a) a proposal is notifiable, or
  - (b) arrangements are notifiable.
- (2) An application must specify—
  - (a) the proposal or arrangements in respect of which the order is sought, and
  - (b) the promoter.

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- (3) On an application the [<sup>F922</sup>tribunal] may make the order only if satisfied that section 306(1)(a) to (c) applies to the relevant arrangements.]

#### Textual Amendments

- F920** S. 314A inserted (19.7.2007) by [Finance Act 2007 \(c. 11\), s. 108\(6\)](#) (with s. 108(10))
- F921** Word in s. 314A(1) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 432](#)
- F922** Word in s. 314A(3) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 432](#)

### 315 Penalties

- (1) After section 98B of the Taxes Management Act 1970 insert—

#### “98C Notification under Part 7 of Finance Act 2004

- (1) A person who fails to comply with any of the provisions of Part 7 of the Finance Act 2004 (disclosure of tax avoidance schemes) mentioned in subsection (2) below shall be liable—
- (a) to a penalty not exceeding £5,000, and
  - (b) if the failure continues after a penalty is imposed under paragraph (a) above, to a further penalty or penalties not exceeding £600 for each day on which the failure continues after the day on which the penalty under paragraph (a) was imposed (but excluding any day for which a penalty under this paragraph has already been imposed).
- (2) Those provisions are—
- (a) section 308(1) and (3) (duty of promoter in relation to notifiable proposals and notifiable arrangements),
  - (b) section 309(1) (duty of person dealing with promoter outside United Kingdom),
  - (c) section 310 (duty of parties to notifiable arrangements not involving promoter), or
  - (d) section 312(1) (duty of promoter to notify client of reference number).
- (3) A person who fails to comply with section 313(1) of the Finance Act 2004 (duties of parties to notifiable arrangements to notify Board of reference number, etc.) shall be liable to a penalty of the relevant sum.
- (4) In subsection (3) above “the relevant sum” means—
- (a) in relation to a person not falling within paragraph (b) or (c) below, £100 in respect of each scheme to which the failure relates,
  - (b) in relation to a person who has previously failed to comply with section 313(1) on one (and only one) occasion during the period of 36 months ending with the date on which the current failure to comply with that provision began, £500 in respect of each scheme to which the current failure relates (whether or not the same as the scheme to which the previous failure relates), or

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- (c) in relation to a person who has previously failed to comply with section 313(1) on two or more occasions during the period of 36 months ending with the date on which the current failure to comply with that provision began, £1,000 in respect of each scheme to which the current failure relates (whether or not the same as the schemes to which any of the previous failures relates).
- (5) In subsection (4) above “scheme” means any notifiable arrangements within the meaning of Part 7 of the Finance Act 2004.”
- (2) In section 100 of that Act (determination of penalties by officer of Board) at the end of subsection (2) (penalties to which subsection (1) of the section does not apply) insert “, or
- (f) section 98C(1)(a) above.”
- (3) In section 100C of that Act (penalty proceedings before Commissioners) after subsection (1) insert—
- “(1A) In its application to a penalty under section 98C(1)(a) above, subsection (1) above has effect with the omission of the words “General or”.”

#### Commencement Information

**I136** S. 315 wholly in force at 1.8.2004; s. 315 in force for certain purposes at Royal Assent and otherwise in force at 1.8.2004 see s. 319(1)

#### <sup>F923</sup>316 Information to be provided in form and manner specified by HMRC

- (1) HMRC may specify the form and manner in which information required to be provided by any of the information provisions must be provided if the provision is to be complied with.
- (2) The “information provisions” are sections 308(1) and (3), 309(1), 310, <sup>F924</sup>310A, <sup>F925</sup>310C, 312(2), 312A(2) <sup>F926</sup>and (2A) <sup>F927</sup>, 313(1) and (3) <sup>F928</sup>, 313ZA(3) and 313ZC(5) <sup>F929</sup> .]

#### Textual Amendments

- F923** S. 316 substituted (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by [Finance Act 2008 \(c. 9\)](#), s. 116(2), [Sch. 38 para. 6](#); S.I. 2008/1935, art. 2(1) (with [art. 2\(2\)](#)); S.I. 2010/409, art. 2
- F924** Word in s. 316(2) inserted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), s. 284(3)
- F925** Word in s. 316(2) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 17 para. 2](#)
- F926** Words in s. 316(2) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 17 para. 7](#)
- F927** Words in s. 316 substituted (1.1.2011) by [Finance Act 2010 \(c. 13\)](#), [Sch. 17 para. 7](#); S.I. 2010/3019, art. 2
- F928** Words in s. 316(2) substituted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 17 para. 10](#)

#### <sup>F929</sup>316A Duty to provide additional information

- (1) This section applies where a person is required to provide information under section 312(2) or 312A(2) or (2A).



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- (2) HMRC may specify additional information which must be provided by that person to the recipients under section 312(2) or 312A(2) or (2A) at the same time as the information referred to in subsection (1).
- (3) HMRC may specify the form and manner in which the additional information is to be provided.
- (4) For the purposes of this section “additional information” means information supplied by HMRC which relates to notifiable proposals or notifiable arrangements in general.]

#### Textual Amendments

**F929** S. 316A inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 17 para. 14](#)

#### [<sup>F930</sup>316B Confidentiality

No duty of confidentiality or other restriction on disclosure (however imposed) prevents the voluntary disclosure by any person to HMRC of information or documents which the person has reasonable grounds for suspecting will assist HMRC in determining whether there has been a breach of any requirement imposed by or under this Part.]

#### Textual Amendments

**F930** S. 316B inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 17 para. 16](#)

#### [<sup>F931</sup>316C Publication by HMRC

- (1) HMRC may publish information about—
  - (a) any notifiable arrangements, or proposed notifiable arrangements, to which a reference number is allocated under section 311;
  - (b) any person who is a promoter in relation to the notifiable arrangements or, in the case of proposed notifiable arrangements, the notifiable proposal.
- (2) The information that may be published is (subject to subsection (4))—
  - (a) any information relating to arrangements within subsection (1)(a), or a person within subsection (1)(b), that is prescribed information for the purposes of section 308, 309 or 310;
  - (b) any ruling of a court or tribunal relating to any such arrangements or person (in that person's capacity as a promoter in relation to a notifiable proposal or arrangements);
  - (c) the number of persons in any period who enter into transactions forming part of notifiable arrangements within subsection (1)(a);
  - (d) whether arrangements within subsection (1)(a) are APN relevant (see subsection (7));
  - (e) any other information that HMRC considers it appropriate to publish for the purpose of identifying arrangements within subsection (1)(a) or a person within subsection (1)(b).
- (3) The information may be published in any manner that HMRC considers appropriate.

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- (4) No information may be published under this section that identifies a person who enters into a transaction forming part of notifiable arrangements within subsection (1)(a).
- (5) But where a person who is a promoter within subsection (1)(b) is also a person mentioned in subsection (4), nothing in subsection (4) is to be taken as preventing the publication under this section of information so far as relating to the person's activities as a promoter.
- (6) Before publishing any information under this section that identifies a person as a promoter within subsection (1)(b), HMRC must—
  - (a) inform the person that they are considering doing so, and
  - (b) give the person reasonable opportunity to make representations about whether it should be published.
- (7) Arrangements are “APN relevant” for the purposes of subsection (2)(d) if HMRC has indicated in a publication that it may exercise (or has exercised) its power under section 219 of the Finance Act 2014 (accelerated payment notices) by virtue of the arrangements being DOTAS arrangements within the meaning of that section.

#### Textual Amendments

**F931** Ss. 316C, 316D inserted (with application in accordance with Sch. 17 para. 21 of the amending Act) by Finance Act 2015 (c. 11), Sch. 17 para. 17

### 316D Section 316C: subsequent judicial rulings

- (1) This section applies if—
  - (a) information about notifiable arrangements, or proposed notifiable arrangements, is published under section 316C,
  - (b) at any time after the information is published, a ruling of a court or tribunal is made in relation to tax arrangements, and
  - (c) HMRC is of the opinion that the ruling is relevant to the arrangements mentioned in paragraph (a).
- (2) A ruling is “relevant” to the arrangements if—
  - (a) the principles laid down, or reasoning given, in the ruling would, if applied to the arrangements, allow the purported advantage arising from the arrangements in relation to tax, and
  - (b) the ruling is final.
- (3) HMRC must publish information about the ruling.
- (4) The information must be published in the same manner as HMRC published the information mentioned in subsection (1)(a) (and may also be published in any other manner that HMRC considers appropriate).
- (5) A ruling is “final” if it is—
  - (a) a ruling of the Supreme Court, or
  - (b) a ruling of any other court or tribunal in circumstances where—
    - (i) no appeal may be made against the ruling,

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- (ii) if an appeal may be made against the ruling with permission, the time limit for applications has expired and either no application has been made or permission has been refused,
  - (iii) if such permission to appeal against the ruling has been granted or is not required, no appeal has been made within the time limit for appeals, or
  - (iv) if an appeal was made, it was abandoned or otherwise disposed of before it was determined by the court or tribunal to which it was addressed.
- (6) Where a ruling is final by virtue of sub-paragraph (ii), (iii) or (iv) of subsection (5) (b), the ruling is to be treated as made at the time when the sub-paragraph in question is first satisfied.
- (7) In this section “tax arrangements” means arrangements in respect of which it would be reasonable to conclude (having regard to all the circumstances) that the obtaining of an advantage in relation to tax was the main purpose, or one of the main purposes.]

**Textual Amendments**

**F931** Ss. 316C, 316D inserted (with application in accordance with Sch. 17 para. 21 of the amending Act) by Finance Act 2015 (c. 11), **Sch. 17 para. 17**

**317 Regulations under Part 7**

- (1) Any power of the Treasury or the Board to make regulations under this Part is exercisable by statutory instrument.
- (2) Regulations made by the Treasury or the Board under this Part may [<sup>F932</sup>make different provision for different cases and may] contain transitional provisions and savings.
- (3) A statutory instrument containing regulations made by the Treasury or the Board under any provision of this Part is subject to annulment in pursuance of a resolution of the House of Commons.

**Textual Amendments**

**F932** Words in s. 317(2) inserted (1.1.2011) by Finance Act 2010 (c. 13), **Sch. 17 para. 8**; S.I. 2010/3019, art. 2

**<sup>F933</sup>317A Special Commissioners: procedure**

**Textual Amendments**

**F933** S. 317A omitted (1.4.2009) by virtue of The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 (S.I. 2009/56), art. 1(2), **Sch. 1 para. 433**

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### 318 Interpretation of Part 7

(1) In this Part—

“advantage”, in relation to any tax, means—

- (a) relief or increased relief from, or repayment or increased repayment of, that tax, or the avoidance or reduction of a charge to that tax or an assessment to that tax or the avoidance of a possible assessment to that tax,
- (b) the deferral of any payment of tax or the advancement of any repayment of tax, or
- (c) the avoidance of any obligation to deduct or account for any tax;

[<sup>F934</sup>“company” has the meaning given by section 1121 of the Corporation Tax Act 2010;]

“corporation tax” includes any amount which, by virtue of any of the provisions mentioned in paragraph 1 of Schedule 18 to the Finance Act 1998 (c. 36) (company tax returns, assessments and related matters) is assessable and chargeable as if it were corporation tax;

[<sup>F935</sup>“HMRC” means the Commissioners for Her Majesty's Revenue and Customs;]

[<sup>F936</sup>“introducer”, in relation to a notifiable proposal, has the meaning given by section 307;

“make a firm approach” has the meaning given by section 307(4A);

“make a marketing contact” has the meaning given by section 307(4B);]

“notifiable arrangements” has the meaning given by section 306(1);

“notifiable proposal” has the meaning given by section 306(2);

“prescribed”, except in section 306, means prescribed by regulations made by the Board;

“promoter”, in relation to notifiable arrangements or a notifiable proposal, has the meaning given by section 307;

“reference number”, in relation to notifiable arrangements, has the meaning given by section 311(3);

<sup>F937</sup>

“tax” means—

- (a) income tax,
- (b) capital gains tax,
- (c) corporation tax,
- (d) petroleum revenue tax,
- (da) [<sup>F938</sup>apprenticeship levy,]
- (e) inheritance tax,
- (f) stamp duty land tax, <sup>F939</sup> ...
- (g) stamp duty reserve tax [<sup>F940</sup>, or
- (h) annual tax on enveloped dwellings].

[<sup>F941</sup>“trade” includes every venture in the nature of trade.]

[<sup>F942</sup>“tribunal” means the First-tier tribunal, or where determined by or under Tribunal Procedure Rules, the Upper Tribunal.]

[<sup>F943</sup>“working day” means a day which is not a Saturday or a Sunday, Christmas Day, Good Friday or a bank holiday under the Banking and Financial Dealings Act 1971 in any part of the United Kingdom.]

<sup>F944</sup>(2) .....

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### Textual Amendments

- F934** Words in s. 318(1) inserted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), [Sch. 8 para. 302\(2\)\(a\)](#) (with Sch. 9 paras. 1-9, 22)
- F935** Words in s. 318(1) inserted (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [s. 108\(8\)\(a\)](#) (with s. 108(10))
- F936** Words in s. 318(1) inserted (1.1.2011) by [Finance Act 2010 \(c. 13\)](#), [Sch. 17 para. 5](#); S.I. 2010/3019, art. 2
- F937** Words in s. 318(1) omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 434\(2\)](#)
- F938** Words in s. 318(1) inserted (15.9.2016) by [Finance Act 2016 \(c. 24\)](#), [s. 104\(1\)](#) (with s. 117)
- F939** Words in s. 318(1) omitted (17.7.2013) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 35 para. 2\(a\)](#)
- F940** Words in s. 318(1) inserted (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), [Sch. 35 para. 2\(b\)](#)
- F941** Words in s. 318(1) inserted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), [Sch. 8 para. 302\(2\)\(b\)](#) (with Sch. 9 paras. 1-9, 22)
- F942** Words in s. 318(1) inserted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 434\(3\)](#)
- F943** Words in s. 318(1) inserted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), [s. 284\(4\)](#)
- F944** S. 318(2) repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), Sch. 8 para. 302(3), [Sch. 10 Pt. 13](#) (with Sch. 9 paras. 1-9, 22)

## 319 Part 7: commencement and savings

- (1) The following provisions of this Part come into force on the passing of this Act—  
sections 306 to 315, so far as is necessary for enabling the making of any regulations for which they provide, and  
sections 317 and 318 and this section.
- (2) Except as provided by subsection (1), the provisions of this Part come into force on 1st August 2004.
- (3) Section 308 does not apply to a promoter in the case of—
  - (a) any notifiable proposal as respects which the relevant date, as defined by subsection (2) of that section, fell before 18th March 2004,
  - (b) any notifiable arrangements which implement such a proposal, or
  - (c) any notifiable arrangements which include any transaction entered into before 18th March 2004.
- (4) Sections 309 and 310 do not apply in relation to notifiable arrangements which include any transaction entered into before 23rd April 2004.
- (5) Section 313 does not apply in relation to any notifiable arrangements in respect of which, by virtue of subsection (3) or (4), none of the duties imposed by sections 308 to 310 arises.

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## PART 8

### MISCELLANEOUS MATTERS

#### **320 Exclusion of extended limitation period in England, Wales and Northern Ireland**

- (1) Section 32(1)(c) of the Limitation Act 1980 (c. 58) or, in Northern Ireland, Article 71(1)(c) of the Limitation (Northern Ireland) Order 1989 (S.I. 1989/1339 (N.I. 11)) (extended period for bringing an action in case of mistake) does not apply in relation to a mistake of law relating to a taxation matter under the care and management of the Commissioners of Inland Revenue.

This subsection has effect in relation to actions brought on or after 8th September 2003.

- (2) For the purposes of—
- (a) section 35(5)(a) of the Limitation Act 1980 or, in Northern Ireland, Article 73(4)(a) of the Limitation (Northern Ireland) Order 1989 (circumstances in which time-barred claim may be brought in course of existing action), and
  - (b) rules of court or county court rules having effect for the purposes of those provisions,

as they apply to claims in respect of mistakes of the kind mentioned in subsection (1), a new claim shall not be regarded as arising out of the same facts, or substantially the same facts, if it is brought in respect of a different payment, transaction, period or other matter.

This subsection has effect in relation to claims made on or after 20th November 2003.

- (3) If before the passing of this Act—
- (a) an action is brought in relation to which a defence of limitation would have been available if subsection (1) had been in force, or
  - (b) a claim is made on or after 20th November 2003 that by virtue of section 35(1)(b) of the Limitation Act 1980 (c. 58) or, in Northern Ireland, Article 73(1)(b) of the Limitation (Northern Ireland) Order 1989 (S.I. 1989/1339 (N.I. 11)) is treated as an action brought before 8th September 2003 and that claim would not have been allowed if subsections (1) and (2) above had been in force,

the action (or so much of it as relates to a cause of action in respect of which a defence of limitation would have been available or, as the case may be, a claim would not have been allowed) shall be deemed to be discontinued on the passing of this Act and any payment made by the Commissioners in or towards meeting their liability in the action (or so much of the action as so relates) may be recovered by them (with interest from the date of the payment).

- (4) Nothing in this section affects a claim made before 20th November 2003 that by virtue of section 35(1)(b) of the Limitation Act 1980 or, in Northern Ireland, Article 73(1)(b) of the Limitation (Northern Ireland) Order 1989 is treated as an action brought before 8th September 2003.

- (5) For the purposes of this section a claim is treated as made before 20th November 2003 if—
- (a) the Commissioners have before that date consented in writing to the making of the claim; or
  - (b) immediately before that date—

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- (i) the consent of the Commissioners has been sought and has not been refused, or
  - (ii) an application to the court for permission to make the claim has been made and has not been refused.
- (6) The provisions of this section apply to any action or claim for relief from the consequences of a mistake of law, whether expressed to be brought on the ground of mistake or on some other ground (such as unlawful demand or *ultra vires* act).
- (7) This section shall be construed as one with the Limitation Act 1980 or, in Northern Ireland, the Limitation (Northern Ireland) Order 1989.

### **321 Exclusion of extended prescriptive period in Scotland**

- (1) Section 6(4)(a)(ii) of the Prescription and Limitation (Scotland) Act 1973 (c. 52) (extinction of obligations by prescriptive period: exclusion of period during which creditor induced by error to refrain from making claim) does not apply in relation to an obligation based on redress of unjustified enrichment arising from an error of law relating to a taxation matter under the care and management of the Commissioners of Inland Revenue.
- (2) Subsection (1) has effect in relation to an obligation in respect of which no relevant claim has been made before 8th September 2003.
- (3) In the case of a relevant claim made on or after that date and before the passing of this Act relating to an obligation that would have been extinguished if subsections (1) and (2) had been in force—
  - (a) proceedings on the claim (or so much of the proceedings as relates to such an obligation) shall be deemed to be discontinued on the passing of this Act, and
  - (b) any payment made by the Commissioners in or towards meeting their liability on the claim (or so much of it as so relates) may be recovered by them (with interest from the date of the payment).
- (4) The provisions of this section apply in relation to any relevant claim for redress of unjustified enrichment arising from an error of law, whether expressed to be made on the ground of error or on some other ground.
- (5) In this section “relevant claim” has the same meaning as in section 6 of the Prescription and Limitation (Scotland) Act 1973.

### **322 Mutual assistance: customs union with the Principality of Andorra**

- (1) The UK mutual assistance provisions have effect for the purposes of giving effect to the EC-Andorra Mutual Assistance Recovery Decision as they have effect for the purposes of giving effect to the Mutual Assistance Recovery Directive.
- (2) In this section—

“the EC-Andorra Mutual Assistance Recovery Decision” means Chapter 2 of Title 1 of, and Annex 1 to, Decision No 1/2003 of the EC-Andorra Joint Committee of 3 September 2003 (on the laws, regulations and administrative provisions necessary for the proper functioning of the Customs Union between the [<sup>F945</sup>European Union] and the Principality of Andorra);

“the Mutual Assistance Recovery Directive” has the same meaning as [<sup>F946</sup>MARD has] in the UK mutual assistance provisions;

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[<sup>F947</sup>“the UK mutual assistance provisions” means the provisions of section 87 of the Finance Act 2011 (mutual assistance for recovery of taxes etc) and Schedule 25 to that Act.]

- [<sup>F948</sup>(3) In the UK mutual assistance provisions as they have effect in accordance with subsection (1)—
- (a) references (except for the one in paragraph 1 of Schedule 25) to MARD are to be read as references to the EC-Andorra Mutual Assistance Recovery Decision,
  - (b) references to another member State are to be read as references to the Principality of Andorra,
  - (c) references to an applicant authority of another member State are to be read as references to the competent authority of the Principality of Andorra,
  - (d) references to a MARD-related instrument are to be disregarded, and
  - (e) paragraph 10 of Schedule 25 (power to make further provision) is to be treated as omitted.]
- (4) The powers in [<sup>F949</sup>section 87(2) of the Finance Act 2011 and paragraph 9 of Schedule 25] to that Act may be exercised so as to make provision for the purposes of giving effect to the EC-Andorra Mutual Assistance Recovery Decision (or amendments of the Decision) which is different to that made for the purposes of giving effect to the Mutual Assistance Recovery Directive (or amendments of the Directive).

#### Textual Amendments

**F945** Words in Act substituted (22.4.2011) by [The Treaty of Lisbon \(Changes in Terminology\) Order 2011 \(S.I. 2011/1043\)](#), arts. 2, 3, 4 (with art. 3(2)(3), 4(2), 6(4)(5))

**F946** Words in s. 322(2) inserted (with effect in accordance with Sch. 25 paras. 18(6), 19 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 25 para. 18\(2\)](#)

**F947** S. 322(2) substituted (with effect in accordance with Sch. 25 paras. 18(6), 19 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 25 para. 18\(3\)](#)

**F948** S. 322(3) substituted (with effect in accordance with Sch. 25 paras. 18(6), 19 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 25 para. 18\(4\)](#)

**F949** Words in s. 322(4) substituted (with effect in accordance with Sch. 25 paras. 18(6)(7), 19 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 25 para. 18\(5\)](#)

### 323 Ending of shipbuilders' relief

- (1) Relief under section 2 of the Finance Act 1966 (c. 18) (relief for shipbuilders in respect of certain taxes and duties) is not available, and shall be regarded as never having been available, in any case where the contract mentioned in subsection (2) of that section is—
- (a) a contract made on or after 1st January 2001 relating to a self-propelled seagoing commercial vessel, within the meaning of the 1998 Regulation, or
  - (b) in a case not falling within paragraph (a), a contract made on or after 13th January 2004.
- (2) In this section “the 1998 Regulation” means Council Regulation (EC) No 1540/ 98 of 29 June 1998 establishing new rules on aid to shipbuilding (under which operating aid for shipbuilding ended on 31st December 2000).



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### **324 Government borrowing: preparations for possible adoption of Euro**

- (1) The Treasury may incur expenditure with a view to securing that they would be able to exercise their functions under sections 12 to 20A of (and Schedule 5A to) the National Loans Act 1968 (c. 13) (national debt and government accounting) if the United Kingdom were to adopt the single currency in accordance with [<sup>F950</sup>the Treaty on the Functioning of the European Union].
- (2) The Director of Savings may incur expenditure with a view to securing that he would be able to exercise his functions if the United Kingdom were to adopt the single currency in accordance with [<sup>F950</sup>the Treaty on the Functioning of the European Union].

#### **Textual Amendments**

**F950** Words in s. 324(1)(2) substituted (1.8.2012) by [The Treaty of Lisbon \(Changes in Terminology or Numbering\) Order 2012 \(S.I. 2012/1809\)](#), art. 2(1), **Sch. Pt. 1** (with art. 2(2))

### **325 Premium bonds**

Regulations under section 11 of the National Debt Act 1972 (c. 65) (power of Treasury to make regulations as to raising of money under auspices of Director of Savings) may repeal any provision contained in section 54 of, or Schedule 18 to, the Finance Act 1968 (c. 44) (terms of issue of premium savings bonds).

## **PART 9**

### **SUPPLEMENTARY PROVISIONS**

### **326 Repeals**

- (1) The enactments mentioned in Schedule 42 to this Act (which include provisions that are spent or of no practical utility) are repealed to the extent specified.
- (2) The repeals specified in that Schedule have effect subject to the commencement provisions and savings contained or referred to in the notes set out in that Schedule.

### **327 Interpretation**

In this Act “the Taxes Act 1988” means the Income and Corporation Taxes Act 1988 (c. 1).

### **328 Short title**

This Act may be cited as the Finance Act 2004.

**Status:**

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**Changes to legislation:**

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