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*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2004, SCHEDULE 31. (See end of Document for details)*

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## SCHEDULES

### SCHEDULE 31

Section 204

#### TAXATION OF BENEFITS UNDER REGISTERED PENSION SCHEMES

1 Part 9 of ITEPA 2003 (pension income) is amended as follows.

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**Commencement Information**

**I1** 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

2 In section 565 (structure of Part 9), for “Chapters 16 to 18 deal with” substitute—  
“Chapter 15A makes provision about exemptions and charges in relation to lump sums under registered pension schemes; Chapters 17 and 18 deal with other”.

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**Commencement Information**

**I2** 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

3 (1) Section 566(4) (nature of charge to tax on pension income) is amended as follows.  
(2) For the entries relating to sections 580, 583, 590, 595, 598, 601 and 605 substitute—

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“Section 579A	Pensions under registered pension schemes	Chapter 5A”
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(3) Omit the entry relating to section 623.

(4) Insert at the end—

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“Section 636B	Pensions treated as arising from payment of trivial commutation lump sums and winding-up lump sums under registered pension schemes	Chapter 15A
Section 636C	Pensions treated as arising from payment of trivial commutation lump sum death benefits and winding-up lump	Chapter 15A”

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sum death benefits  
under registered pension  
schemes

**Commencement Information**

**I3** 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

4 In section 567(4)(a) (amount charged to tax), for “15” substitute “ 15A ”.

**Commencement Information**

**I4** 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

5 In section 568 (person liable to tax), for “15” substitute “ 15A ”.

**Commencement Information**

**I5** 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

6 After Chapter 5 insert—

**“CHAPTER 5A**

**PENSIONS UNDER REGISTERED PENSION SCHEMES**

**Pensions**

579A(1) This section applies to any pension under a registered pension scheme (but subject to subsection (2)).

(2) This section does not apply to a pension under a registered pension scheme if and to the extent that, when it is paid, a liability to the unauthorised payments charge arises in respect of the amount of the payment (see section 208 of FA 2004).

**Taxable pension income**

579B If section 579A applies, the taxable pension income for a tax year is the full amount of the pension under the registered pension scheme that accrues in that year irrespective of when any amount is actually paid.

**Person liable for tax**

579C If section 579A applies, the person liable for any tax charged under this Part is the person receiving or entitled to the pension under the registered pension scheme.

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## Interpretation

579D In this Chapter “pension under a registered pension scheme” includes—

- (a) an annuity under, or purchased with sums or assets held for the purposes of, or representing acquired rights under, a registered pension scheme, and
- (b) income withdrawal or dependants' income withdrawal under a registered pension scheme.

In paragraph (b) “income withdrawal” and “dependants' income withdrawal” have the meaning given by paragraphs 7 and 21 of Schedule 28 to FA 2004.”

### Commencement Information

- I6** 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

7 Omit Chapters 6, 7, 8 and 9 (pensions under approved schemes).

### Commencement Information

- I7** 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

8 (1) Section 610 (annuities under sponsored superannuation schemes) is amended as follows.

(2) In subsection (1)—

- (a) in paragraph (a), for “a sponsored superannuation scheme” substitute “ an occupational pension scheme that is not a registered pension scheme ”, and
- (b) in paragraph (b), for “a sponsored superannuation scheme” substitute “ such an occupational pension scheme ”.

(3) In subsection (3), for “any provision of Chapter 6, 7, 8 or 9” substitute “ Chapter 5A ”.

(4) For subsection (4) substitute—

“(4) In this section “occupational pension scheme” has the same meaning as in Part 4 of FA 2004 (see section 150(5) of that Act).”

(5) In the heading, for “sponsored superannuation” substitute “ non-registered occupational pension ”.

### Commencement Information

- I8** 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

9 In section 611(3) (annuities in recognition of another's service), for “any provision of Chapter 6, 7, 8 or 9” substitute “ Chapter 5A ”.

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**Commencement Information**

**I9** 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

10 Omit Chapter 13 (return of surplus additional voluntary contributions under exempt approved schemes and relevant statutory schemes).

**Commencement Information**

**I10** 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

11 After Chapter 15 insert—

**“CHAPTER 15A**

**LUMP SUMS UNDER REGISTERED PENSION SCHEMES**

**Exemption for certain lump sums under registered pension schemes**

636A) No liability to income tax arises on a lump sum paid under a registered pension scheme if the lump sum is—

- (a) a pension commencement lump sum,
- (b) a serious ill-health lump sum,
- (c) a refund of excess contributions lump sum,
- (d) a defined benefits lump sum death benefit,
- (e) an uncrystallised funds lump sum death benefit, or
- (f) a transfer lump sum death benefit.

(2) But subsection (1) does not limit the operation of sections 214 to 226 of FA 2004 (lifetime allowance charge).

(3) A short service refund lump sum under a registered pension scheme is subject to income tax in accordance with section 205 of FA 2004 (charge to tax on scheme administrator in respect of such a lump sum) but not otherwise.

(4) A lump sum under a registered pension scheme which is—

- (a) a pension protection lump sum death benefit,
- (b) an annuity protection lump sum death benefit, or
- (c) an unsecured pension fund lump sum death benefit,

is subject to income tax in accordance with section 206 of FA 2004 (charge to tax on scheme administrator in respect of such lump sum death benefits) but not otherwise.

[<sup>F1</sup>(4A) In the case of a registered pension scheme which is a split scheme for the purposes of the Registered Pensions Schemes (Splitting of Schemes) Regulations 2006, subsections (3) and (4) shall have effect as if the

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references to the scheme administrator were to the sub-scheme administrator (within the meaning of those Regulations).]

- (5) A lifetime allowance excess lump sum is chargeable to income tax in accordance with sections 214 to 226 of FA 2004 (lifetime allowance charge) but not otherwise.
- (6) In this section—  
“lifetime allowance excess lump sum”,  
“pension commencement lump sum”,  
“refund of excess contributions lump sum”,  
“serious ill-health lump sum”, and  
“short service refund lump sum”,  
have the same meaning as in section 166 of FA 2004 (see Part 1 of Schedule 29 to that Act).
- (7) In this section—  
“annuity protection lump sum death benefit”,  
“defined benefits lump sum death benefit”,  
“pension protection lump sum death benefit”,  
“transfer lump sum death benefit”,  
“uncrystallised funds lump sum death benefit”, and  
“unsecured pension fund lump sum death benefit”,  
have the same meaning as in section 168 of FA 2004 (see Part 2 of Schedule 29 to that Act).

### **Trivial commutation and winding-up lump sums**

- 636B) This section applies if—  
(a) a trivial commutation lump sum, or  
(b) a winding-up lump sum,  
is paid to a member of a registered pension scheme under the pension scheme.
- (2) The member is to be treated as having taxable pension income for the tax year in which the payment is made equal to the amount of the lump sum.
- (3) But if, immediately before the lump sum is paid, the member has not become entitled to any benefits under the pension scheme, the amount of the taxable pension income is 75% of the amount of the lump sum.
- (4) In this section—  
“trivial commutation lump sum”, and  
“winding-up lump sum”,  
have the same meaning as in section 166 of FA 2004 (see Part 1 of Schedule 29 to that Act).

### **Trivial commutation and winding-up lump sum death benefits**

- 636C) This section applies if—  
(a) a trivial commutation lump sum death benefit, or

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- (b) a winding-up lump sum death benefit,  
 is paid to a person under a registered pension scheme.
- (2) The person is to be treated as having taxable pension income for the tax year in which the payment is made equal to the amount of the lump sum.
- (3) In this section—  
     “trivial commutation lump sum death benefit”, and  
     “winding-up lump sum death benefit”,  
     have the same meaning as in section 168 of FA 2004 (see Part 2 of Schedule 29 to that Act).”

**Textual Amendments**

- F1** Words in Sch. 31 para. 11 inserted (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), **5(1)(2)**

**Commencement Information**

- I11** 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

- 12 Omit Chapter 16 (lump sums).

**Commencement Information**

- I12** 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

- 13 In section 644(2) (pensions to which section 580 or 590 applies not a disablement pension), for “580 or 590” substitute “ 579A ”.

**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

- 14 (1) Section 683 of ITEPA 2003 (PAYE income) is amended as follows.
- (2) In subsection (3), for the entries relating to sections 581, 584, 591, 596, 599 and 602 substitute— “ section 579B (pension under registered pension scheme), ”.
- (3) In that subsection, insert at the end— “ section 636B (pension treated as arising from payment of trivial commutation lump sum or winding-up lump sum), section 636C (pension treated as arising from payment of trivial commutation or winding-up lump sum death benefit). ”
- (4) Omit subsection (4).

**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

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- 15 In Part 2 of Schedule 1 to ITEPA 2003 (index of defined expressions) insert at the appropriate place—

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“pension under a registered pension scheme (in Chapter 5A of Part 9) section 579D”.

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**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

**Changes to legislation:**

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