



# Finance Act 2005

## 2005 CHAPTER 7

### PART 2

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

### CHAPTER 2

#### PERSONAL TAXATION

#### *Armed forces*

### **19 Armed forces pensions and compensation schemes**

- (1) ITEPA 2003 is amended as follows.
- (2) In subsection (1) of section 393 as originally enacted (application of Chapter 2 of Part 6) after “non-approved retirement benefits scheme” insert “ other than a scheme established by an order under section 1(2) of the Armed Forces (Pensions and Compensation) Act 2004 (armed and reserve forces compensation schemes) ”.
- (3) In paragraph (a) of section 639 (exemption from income tax for pensions due to military service etc)—
  - (a) for “the Department of Work and Pensions” substitute “ the Ministry of Defence ”;
  - (b) for “any Order in Council, Royal Warrant, order or scheme” substitute “ instrument specified in subsection (2), ”.
- (4) At the end of section 639 (which becomes subsection (1)) insert—
  - “(2) The instruments referred to in subsection (1)(a) are—  
Defence (Local Defence Volunteers) Regulations 1940 (S.R. & O. 1940/748),  
War Pensions (Coastguards) Scheme 1944 (S.R. & O. 1944/500),

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*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2005, Section 19. (See end of Document for details)*

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War Pensions (Naval Auxiliary Personnel) Scheme 1964 (S.I. 1964/1985),  
Pensions (Polish Forces) Scheme 1964 (S.I. 1964/2007),  
War Pensions (Mercantile Marine) Scheme 1964 (S.I. 1964/2058),  
Order by Her Majesty concerning pensions and other grants in respect of disablement or death due to service in the Home Guard (1964 Cmnd. 2563),  
Order by Her Majesty concerning pensions and other grants in respect of disablement or death due to service in the Home Guard after 27th April 1952 (1964 Cmnd. 2564),  
Order by Her Majesty concerning pensions and other grants in respect of disablement or death due to service in the Ulster Defence Regiment (1971 Cmnd. 4567),  
Personal Injuries (Civilians) Scheme 1983 (S.I. 1983/686),  
Naval, Military and Air Forces etc. (Disablement and Death) Service Pensions Order 1983 (S.I. 1983/883).

(3) The Treasury may by order amend subsection (2).”.

(5) After section 640 insert—

**“640A Lump sums provided under armed forces early departure scheme**

No liability to income tax arises on a lump sum provided under a scheme established by the Armed Forces Early Departure Payments Scheme Order 2005 (S.I. 2005/437).”.

(6) In section 641 (exemption from income tax for armed forces disability pensions etc), after paragraph (g) of subsection (1) insert—

- “(h) a benefit under a scheme established by an order under section 1(2) of the Armed Forces (Pensions and Compensation) Act 2004 payable to a person by reason of his illness or injury—
- (i) by way of a lump sum, or
  - (ii) following the termination of the person's service in the armed forces or reserve forces.”.

(7) The amendment made by subsection (2) has effect for the year 2005-06.

(8) The amendments made by subsections (3) and (4) are deemed always to have had effect.

(9) The amendments made by subsections (5) and (6) have effect for the year 2005-06 and subsequent years of assessment.

**Changes to legislation:**

There are currently no known outstanding effects for the Finance Act 2005, Section 19.