



Finance (No.2) Act 1987

1987 CHAPTER 51

PART I

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER II

PERSONAL PENSION SCHEMES

Tax consequences of approval: member's contributions

31 Deduction from relevant earnings.

A contribution paid by an individual under approved personal pension arrangements made by him shall, subject to the provisions of this Chapter, be deducted from or set off against any relevant earnings of his for the year of assessment in which the payment is made.

32 Limit on deductions.

- (1) The maximum amount that may be deducted or set off in any year of assessment by virtue of section 31 above shall be 175 per cent. of the individual's net relevant earnings for that year.
- (2) In the case of an individual whose age at the beginning of the year of assessment is within a range specified in the first column of the following table, subsection (1) above shall have effect with the substitution for 175 per cent. of the relevant percentage specified in the second column.

51 to 55	20 per cent.
56 to 60	225 per cent.

Status: This is the original version (as it was originally enacted). This item of legislation is currently only available in its original format.

61 or more

| 275 per cent. |

- (3) Without prejudice to subsection (1) above, the maximum amount that may be deducted or set off in any year of assessment in respect of contributions paid by an individual to secure benefits satisfying the conditions in section 25 above shall be 5 per cent. of the individual's net relevant earnings for that year.
- (4) Where personal pension arrangements are made by an employee whose employer makes contributions under the arrangements, the maximum amount that may be deducted or set off in any year of assessment shall be reduced by the amount of the employer's contributions in the year.
- (5) Any minimum contributions treated by virtue of section 42(3) below as paid by the individual in respect of whom they are paid shall be disregarded for the purposes of this section.

33 Carry-back of contributions.

- (1) An individual who pays a contribution under approved personal pension arrangements in a year of assessment (whether or not a year for which he has relevant earnings) may elect that the contribution, or part of it, shall be treated as paid—
 - (a) in the year of assessment preceding that year, or
 - (b) if he had no net relevant earnings in that preceding year of assessment, in the year of assessment before that.
- (2) Where for any year of assessment an individual—
 - (a) has relevant earnings as an underwriting member of Lloyd's or by way of commission calculated by reference to the profits of Lloyd's underwriting business, and
 - (b) there is an amount of unused relief attributable to those earnings,
 the individual may elect that there shall be treated as paid in that year so much of any contributions paid by him under approved personal pension arrangements in the next year of assessment but two as does not exceed the amount of the unused relief.
- (3) In subsection (2) above, references to an amount of unused relief attributable to the earnings mentioned in subsection (2)(a) are to an amount which could have been deducted from or set off against those earnings under section 31 above if—
 - (a) the individual had paid contributions under approved personal pension arrangements in the year of assessment for which he has the earnings, or
 - (b) any such contributions paid by him in that year had been greater.
- (4) An election under this section must be made not later than three months after the end of the year of assessment in which the contributions treated as paid in another year are actually paid.
- (5) Where an election is made under this section in respect of a contribution or part of a contribution, the other provisions of this Chapter shall have effect as if the contribution or part had been paid in the year specified in the election and not in the year in which it was actually paid.

34 Carry-forward of relief.

- (1) Where—

Status: This is the original version (as it was originally enacted). This item of legislation is currently only available in its original format.

- (a) for any year of assessment an individual has relevant earnings from any trade, profession, vocation, office or employment carried on or held by him, and
 - (b) there is an amount of unused relief for that year,
- relief may be given under section 31 above, up to the amount of the unused relief, in respect of so much of any contributions paid by him under approved personal pension arrangements in any of the next six years of assessment as exceeds the maximum applying for that year under section 32 above.
- (2) In this section, references to an amount of unused relief for any year are to an amount which could have been deducted from or set off against the individual's relevant earnings for that year under section 31 above if—
 - (a) the individual had paid contributions under approved personal pension arrangements in that year, or
 - (b) any such contributions paid by him in that year had been greater.
 - (3) Relief by virtue of this section shall be given for an earlier year rather than a later year, the unused relief taken into account in giving relief for any year being deducted from that available for giving relief in subsequent years and unused relief derived from an earlier year being exhausted before unused relief derived from a later year.
 - (4) Where a relevant assessment to tax in respect of a year of assessment becomes final and conclusive more than six years after the end of that year and there is an amount of unused relief for that year which results from the making of the assessment—
 - (a) that amount shall not be available for giving relief by virtue of this section for any of the six years following that year; but
 - (b) the individual may, within the period of six months beginning with the date on which the assessment becomes final and conclusive, elect that relief shall be given under section 31 above, up to that amount, in respect of so much of any contributions paid by him under approved personal pension arrangements within that period as exceeds the maximum applying under section 32 above for the year of assessment in which they are paid;and to the extent to which relief in respect of any contributions is given by virtue of this subsection it shall not be given by virtue of subsection (1) above.
 - (5) In this section “a relevant assessment to tax” means an assessment on the individual's relevant earnings or on the profits or gains of a partnership from which the individual derives relevant earnings.

35 Meaning of “relevant earnings”.

- (1) In this Chapter, “relevant earnings”, in relation to an individual, means any income of his which is chargeable to tax for the year of assessment in question and is within subsection (2) below.
- (2) Subject to subsections (3) to (5) below, income is within this subsection if it is—
 - (a) emoluments chargeable under Schedule E from an office or employment held by the individual;
 - (b) income from any property which is attached to or forms part of the emoluments of an office or employment held by him;
 - (c) income which is chargeable under Schedule D and is immediately derived by him from the carrying on or exercise by him of his trade, profession

Status: This is the original version (as it was originally enacted). This item of legislation is currently only available in its original format.

- or vocation (either as an individual or as a partner acting personally in a partnership);
- (d) income treated as earned income by virtue of section 383 of the Taxes Act (patent rights).
- (3) Where section 36 below applies to an office or employment held by the individual, neither emoluments from the office or employment nor income from any property which is attached to it or forms part of its emoluments are within subsection (2) above.
- (4) The following are not income within subsection (2) above—
- (a) anything in respect of which tax is chargeable under Schedule E and which arises from the acquisition or disposal of shares or an interest in shares or from a right to acquire shares;
- (b) anything in respect of which tax is chargeable by virtue of section 187 of the Taxes Act (payments on termination of employment, etc.).
- (5) Emoluments of an individual as director of a company are not income within subsection (2) above if—
- (a) the income of the company consists wholly or mainly of investment income, and
- (b) the individual, either alone or together with any other persons who are or have been at any time directors of the company, controls the company.
- (6) For the purposes of subsection (5) above—
- “director” includes any person occupying the position of director by whatever name called;
- “investment income” shall be construed in accordance with paragraph 11 of Schedule 16 to the Finance Act 1972;
- “controls” shall be construed in accordance with section 534 of the Taxes Act.
- (7) For the purposes of this Chapter, a married woman’s relevant earnings shall not be treated as her husband’s relevant earnings, notwithstanding that her income chargeable to tax is treated as his income.

36 Earnings from pensionable employment.

- (1) This section applies to an office or employment held by an individual if—
- (a) service in it is service to which a relevant superannuation scheme relates,
- (b) the individual is a participant in the scheme, and
- (c) neither subsection (4) nor subsection (5) below applies to his participation in the scheme.
- (2) This section applies whether or not the duties of the office or employment are performed wholly or partly in the United Kingdom or the individual is chargeable to tax in respect of it.
- (3) In subsection (1) above “a relevant superannuation scheme” means a scheme or arrangement—
- (a) the object or one of the objects of which is the provision, in respect of persons serving in particular offices or employments, of relevant benefits within the meaning of section 26(1) of the Finance Act 1970, and
- (b) which is established by a person other than the individual.

Status: This is the original version (as it was originally enacted). This item of legislation is currently only available in its original format.

- (4) This subsection applies to an individual's participation in a scheme if the scheme provides no benefits in relation to him other than—
 - (a) an annuity payable to his surviving spouse or a dependant of his;
 - (b) a lump sum payable on his death in service.
- (5) This subsection applies to an individual's participation in a scheme if any sums paid pursuant to the scheme with a view to the provision of relevant benefits for him are treated as his income for the purposes of the Income Tax Acts.

37 Meaning of “net relevant earnings”.

- (1) Subject to subsections (3) to (7) below, in this Chapter “net relevant earnings”, in relation to an individual, means the amount of his relevant earnings for the year of assessment in question, less the amount of any deductions within subsection (2) below which fall to be made from the relevant earnings in computing for the purposes of income tax his total income for that year.
- (2) Deductions are within this subsection if they are—
 - (a) deductions which but for section 130(1), (n) or (o) of the Taxes Act (annuities, royalties, rents etc.) could be made in computing the profits or gains of the individual;
 - (b) deductions made by virtue of section 189, section 192 or section 194(3) of the Taxes Act (necessary expenses etc.);
 - (c) deductions in respect of relief under Schedule 9 or 10 to the Finance Act 1981 (stock relief);
 - (d) deductions in respect of losses or capital allowances, being losses or capital allowances arising from activities profits or gains of which would be included in computing relevant earnings of the individual or the individual's wife or husband.
- (3) For the purposes of this section, an individual's relevant earnings shall be taken to be those earnings before giving effect to any capital allowances, other than deductions allowable in computing profits or gains, but after taking into account the amounts on which charges fall to be made under the Capital Allowances Act 1968 (including the enactments which under the Taxes Act are to be treated as contained in Part I of the Capital Allowances Act 1968); and in subsections (4) and (5) below references to income (other than references to total income) shall be construed similarly.
- (4) In the case of an individual's partnership profits, the amount to be included in arriving at his net relevant earnings shall be his share of the partnership income (estimated in accordance with the Income Tax Acts) after making from it any such deductions in respect of—
 - (a) payments made by the partnership,
 - (b) relief given to the partnership under Schedule 9 or 10 to the Finance Act 1981, and
 - (c) capital allowances falling to be made to the partnership,as would be made in computing the tax payable in respect of that income.
- (5) Where, in a year of assessment for which an amount is deducted or set off under section 31 above against the net relevant earnings of an individual,—

Status: This is the original version (as it was originally enacted). This item of legislation is currently only available in its original format.

- (a) a deduction in respect of such a loss or allowance of the individual as is mentioned in subsection (2)(d) above falls to be made in computing the total income of the individual or the individual's wife or husband, and
- (b) the deduction or part of it falls to be so made from income other than relevant earnings,

the amount of the deduction made from that other income shall be treated as reducing the individual's net relevant earnings for subsequent years of assessment in accordance with subsection (6) below.

- (6) The deduction shall be made so far as possible from the individual's net relevant earnings for the first of the subsequent years of assessment (whether or not he is entitled to relief under section 31 above for that year), and then, so far as it cannot be so made, from those of the next year, and so on.
- (7) An individual's net relevant earnings for any year of assessment shall be computed without regard to any deduction or set-off under section 31 above which falls to be made for that year in respect of the individual or the individual's wife or husband.