



# Income and Corporation Taxes Act 1988

## 1988 CHAPTER 1

### PART XIV

PENSION SCHEMES, SOCIAL SECURITY BENEFITS, LIFE ANNUITIES ETC.

### CHAPTER I

RETIREMENT BENEFIT SCHEMES

*Charge to tax in certain cases*

#### **595 Charge to tax in respect of certain sums paid by employer etc.**

<sup>M1</sup>(1) Subject to the provisions of this Chapter, where, pursuant to a retirement benefits scheme, the employer in any year of assessment pays a sum with a view to the provision of any relevant benefits for any employee of that employer, then (whether or not the accrual of the benefits is dependent on any contingency)—

- (a) the sum paid, if [<sup>F1</sup>(disregarding section 148) it is] not otherwise chargeable to income tax as income of the employee, shall be deemed for all purposes of the Income Tax Acts to be income of that employee for that year of assessment and assessable to tax under Schedule E; and
- (b) where the payment is made under such an insurance or contract as is mentioned in section 266, relief, if not otherwise allowable, shall be given to that employee under that section in respect of the payment to the extent, if any, to which such relief would have been allowable to him if the payment had been made by him and the insurance or contract under which the payment is made had been made with him.

(2) *Subject to the provisions of this Chapter, where—*

- (a) *the circumstances in which any relevant benefits under a retirement benefits scheme are to accrue are not such as will render the benefits assessable to*

*Status: Point in time view as at 24/07/2002. This version of this provision has been superseded.*

*Changes to legislation: Income and Corporation Taxes Act 1988, Section 595 is up to date with all changes known to be in force on or before 24 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)*

*income tax under Schedule E as emoluments of the employee in respect of whom the benefits are paid, and*

- (b) *the provision of those benefits is not, or is not fully, secured by the payment of sums by the employer with a view to the provision of those benefits, then (whether or not the accrual of the benefits is dependent on any contingency) an amount equal to the cost, estimated in accordance with subsection (3) below, of securing the provision by a third person of the benefits or, as the case may be, of the benefits so far as not already secured by the payment of such sums as are mentioned in subsection (1) above, shall be deemed for all purposes of the Income Tax Acts to be income of the employee for the year or years of assessment specified in subsection (3) below and assessable to income tax under Schedule E.*

- (3) *The cost referred to in subsection (2) above shall be estimated either—*

- (a) *as an annual sum payable in each year of assessment in which the scheme in question is in force or the employee is serving, up to and including the year of assessment in which the benefits accrue or there ceases to be any possibility of the accrual thereof, or*
- (b) *as a single sum payable in the year of assessment in which falls the date when the employee acquired the right to the relevant benefits, or the date when he acquired the right to any increase in the relevant benefits;*

*as may be more appropriate in the circumstances of the case<sup>F2</sup>.*

- (4) *Where the employer pays any sum as mentioned in subsection (1) above in relation to more than one employee, the sum so paid shall, for the purpose of that subsection, be apportioned among those employees by reference to the separate sums which would have had to be paid to secure the separate benefits to be provided for them respectively, and the part of the sum apportioned to each of them shall be deemed for that purpose to have been paid separately in relation to that one of them.*

- (5) *Any reference in this section to the provision for an employee of relevant benefits includes a reference to the provision of benefits payable to that employee's wife [<sup>F3</sup>or husband,] or widow [<sup>F4</sup>or widower, or] children, dependants or personal representatives.*

#### **Textual Amendments**

- F1** Words in s. 595(1)(a) inserted (with effect in accordance with s. 37(2) of the amending Act) by Finance Act 2002 (c. 23), **Sch. 6 para. 6**
- F2** Repealed by 1989 ss.75 and 187 and Schs. 6 paras. 7 and 18(5) and 17 Part IV for 1988-89 and subsequent years.
- F3** Words in s. 595(5) inserted (27.7.1999) by Finance Act 1999 (c. 16), **Sch. 10 para. 4**
- F4** Words in s. 595(5) inserted (27.7.1999) by Finance Act 1999 (c. 16), **Sch. 10 para. 4**

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

- C1** See s.189—*lump sum benefits on retirement.*

#### **Marginal Citations**

- M1** Source-1970(F) s.23(1)-(5)

**Status:**

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**Changes to legislation:**

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