



# Income Tax (Earnings and Pensions) Act 2003

## 2003 CHAPTER 1

### PART 9

#### PENSION INCOME

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

- C1** Pt. 9: power to amend conferred (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\), s. 4\(3\)](#)
- C2** Pt. 9 excluded by 2004 c. 12, Sch. 36 para. 45A(1) (as inserted (26.3.2015) by [Finance Act 2015 \(c. 11\), Sch. 4 para. 19](#))
- C3** Pt. 9 modified (6.4.2023) by [The Public Service Pension Schemes \(Rectification of Unlawful Discrimination\) \(Tax\) Regulations 2023 \(S.I. 2023/113\)](#), regs. 1(2), **23(2)**, **24(2)**, **26(2)**, **28(2)** (with reg. 1(3))
- C4** Pt. 9 modified (14.9.2023) by [The Public Service Pension Schemes \(Rectification of Unlawful Discrimination\) \(Tax\) \(No. 2\) Regulations 2023 \(S.I. 2023/912\)](#), regs. 1(2), **9(2)**, 11(2), 16(2) (with reg. 1(3))
- C5** Pt. 9 modified (31.10.2023) by [The Registered Pension Schemes \(Authorised Member Payments\) Regulations 2023 \(S.I. 2023/1012\)](#), regs. 1, 4

### CHAPTER 1

#### INTRODUCTION

##### 565 Structure of Part 9

The structure of this Part is as follows— Chapter 2—

- (a) imposes the charge to tax on pension income, and
- (b) provides for deductions to be made from the amount of income chargeable;

*Status: Point in time view as at 22/02/2024.*

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Chapters 3 to 15 set out the types of income which are charged to tax under this Part and, for each type of income, identify—

- (a) the amount of income chargeable to tax for a tax year, and
- (b) the person liable to pay any tax charged;

[<sup>F1</sup>Chapter 15A makes provision about exemptions and charges in relation to lump sums under registered pension schemes; Chapters 17 and 18 deal with other] exemptions from the charge to tax (whether under this Part or any other provision).

#### Textual Amendments

- F1** Words in s. 565 substituted (6.4.2006) by Finance Act 2004 (c. 12), s. 284(1), Sch. 31 para. 2 (with Sch. 36)

## CHAPTER 2

### TAX ON PENSION INCOME

#### 566 Nature of charge to tax on pension income and relevant definitions

- (1) The charge to tax on pension income under this Part is a charge to tax on that income excluding any exempt income.
- (2) “Pension income” means the pensions, annuities and income of other types to which the provisions listed in subsection (4) apply.

This definition applies for the purposes of the Tax Acts.

- (3) “Exempt income” means pension income on which no liability to income tax arises as a result of any provision of Chapters 16 to 18 of this Part.

This definition applies for the purposes of this Part.

- (4) These are the provisions referred to in subsection (2)—

<i>Provision</i>	<i>Income</i>	<i>Chapter (of this Part)</i>
Section 569	United Kingdom pensions	Chapter 3
Section 573	Foreign pensions	Chapter 4
Section 577	United Kingdom social security pensions	Chapter 5
[ <sup>F2</sup> Section 579A	Pensions under registered pension schemes	Chapter 5A]
Section 609	Annuities for the benefit of dependants	Chapter 10
Section 610	Annuities under sponsored superannuation schemes	Chapter 10
Section 611	Annuities in recognition of another’s services	Chapter 10

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Section 615	Certain overseas government pensions paid in the United Kingdom	Chapter 11
Section 619	The House of Commons Members' Fund	Chapter 12
F3	F3	F3
...	...	...
Section 629	Pre-1973 pensions paid under OPA 1973	Chapter 14
Section 633	Voluntary annual payments	Chapter 15
[ <sup>F4</sup> 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 sum death benefits under registered pension schemes	Chapter 15A]

#### Textual Amendments

- F2** Words in s. 566(4) substituted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 3\(2\)](#) (with [Sch. 36](#))
- F3** Words in s. 566(4) repealed (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 3\(3\)](#), [Sch. 42 Pt. 3](#) (with [Sch. 36](#))
- F4** Words in s. 566(4) inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 3\(4\)](#) (with [Sch. 36](#))

#### 567 Amount charged to tax

- (1) The amount of pension income which is charged to tax under this Part for a particular tax year is as follows.
- (2) In relation to each pension, annuity or other item of pension income, the amount charged to tax is the “net taxable pension income” for the tax year.
- (3) The net taxable pension income for a pension, annuity or other item of pension income for a tax year is given by the formula—

### TPI- DPI

where—

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TPI means the amount of taxable pension income for that pension, annuity or item of pension income for that year (see subsection (4)), and

DPI means the total amount of any deductions allowed from the pension, annuity or item of pension income (see subsection (5)).

- (4) For the purposes of this Act—
- (a) the amount of taxable pension income for a pension, annuity or other item of pension income for a tax year is determined in accordance with Chapters 3 to [F515A] of this Part (which contain provisions relating to this amount for each type of pension income); and
  - (b) in determining the amount of taxable pension income for a pension, annuity or other item of pension income, any exempt income is to be excluded.
- (5) The deductions allowed from a pension, annuity or other item of pension income are those under—
- [F6]section 567A (deduction to avoid double taxation where Part 7A has applied to the source of the pension income);]
  - section 617 (10% deduction from an overseas government pension to which section 615 applies);
  - Part 12 (payroll giving).

#### Textual Amendments

- F5** Word in s. 567(4)(a) substituted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 4](#) (with [Sch. 36](#))
- F6** Words in s. 567(5) inserted (with effect in accordance with Sch . 2 para. 52-59 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 2 para. 26](#)

#### [F7]567A Cases in which Part 7A has applied to source of pension income

- (1) This section applies if—
- (a) for a tax year there is an amount (“amount TPI”) of taxable pension income for a pension, annuity or other item of pension income,
  - (b) the pension, annuity or other item of pension income accrues or arises out of rights (“the relevant rights”) which represent, or have arisen or derived (directly or indirectly) from, a sum of money or asset which was the subject of a relevant step within the meaning of Part 7A, and
  - (c) Chapter 2 of that Part applied by reason of the relevant step.
- (2) A deduction is allowed from amount TPI.
- (3) The amount of the deduction allowed is the amount (“amount EI”) which counted as employment income of A under Chapter 2 of Part 7A in relation to the relevant step (see section 554Z2(1)).
- (4) If amount EI exceeds amount TPI, the excess is to be carried forward to future tax years to be deducted under this section (when applicable) until all of amount EI has been deducted.

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- (5) Subsection (6) applies if it is determined on a just and reasonable basis that the relevant rights represent, or have arisen or derived from, only part of the sum of money or asset which was the subject of the relevant step.
- (6) In subsection (3) the reference to the amount which counted as employment income is to be read as a reference to the corresponding proportion of that amount.]

#### Textual Amendments

- F7** S. 567A inserted (with effect in accordance with Sch. 2 paras. 52-59 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 2 para. 27](#)

### 568 Person liable for tax

For the provision identifying which person is liable for any tax charged under this Part on a pension, annuity or other item of pension income, see Chapters 3 to [F815A].

#### Textual Amendments

- F8** Word in s. 568 substituted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 5](#) (with [Sch. 36](#))

## CHAPTER 3

### UNITED KINGDOM PENSIONS: GENERAL RULES

### 569 United Kingdom pensions

- (1) This section applies to any pension paid by or on behalf of a person who is in the United Kingdom.
- (2) But this section does not apply to a pension if any provision of Chapters 5 to 14 of this Part applies to it.
- (3) For pensions paid by or on behalf of a person who is outside the United Kingdom, see Chapter 4 of this Part.

### 570 “Pension”: interpretation

In this Chapter “pension” includes a pension which is paid voluntarily or is capable of being discontinued.

### 571 Taxable pension income

If section 569 applies, the taxable pension income for a tax year is the full amount of the pension accruing in that year irrespective of when any amount is actually paid.

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## 572 Person liable for tax

If section 569 applies, the person liable for any tax charged under this Part is the person receiving or entitled to the pension.

### [<sup>F9</sup>572A Temporary non-residents

- (1) This section applies if an individual is temporarily non-resident.
- (2) Any pension within subsection (3) is to be treated for the purposes of section 571 as if it accrued in the period of return.
- (3) A pension is within this subsection if—
  - (a) section 569 applies to it,
  - (b) it is in the form of a lump sum,
  - (c) it accrued in the temporary period of non-residence, and
  - (d) ignoring this section—
    - (i) it is not chargeable to tax under this Chapter, but
    - (ii) it would be so chargeable if the existence of any double taxation relief arrangements were disregarded.
- (4) Subsection (3)(d)(i) includes a case where the charge could be prevented by making a DTR claim, even if no claim is in fact made.
- (5) Nothing in any double taxation relief arrangements is to be read as preventing the individual from being chargeable to income tax in respect of any pension treated by virtue of this section as accruing in the period of return (or as preventing a charge to that tax from arising as a result).
- (6) Part 4 of Schedule 45 to FA 2013 (statutory residence test: anti-avoidance) explains—
  - (a) when an individual is to be regarded as “temporarily non-resident”, and
  - (b) what “the temporary period of non-residence” and “the period of return” mean.
- (7) In this section—
 

“double taxation relief arrangements” means arrangements that have effect under section 2(1) of TIOPA 2010;

“DTR claim” means a claim for relief under section 6 of that Act.]

#### Textual Amendments

- F9** S. 572A inserted (with effect in accordance with Sch. 45 para. 153(3) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 45 para. 129](#)

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## CHAPTER 4

### FOREIGN PENSIONS: GENERAL RULES

#### 573 Foreign pensions

- (1) This section applies to any pension paid by or on behalf of a person who is outside the United Kingdom to a person who is resident in the United Kingdom.
  - (2) But this section does not apply to a pension if any provision of Chapters 5 to 14 of this Part applies to it.
- [<sup>F10</sup>(2A) This section does not apply to pension within section 574(1)(ba) if—
- (a) the pension is paid in respect of a deceased member of a pension scheme who had not reached the age of 75 at the date of death, and
  - (b) no pension payments to the person entitled to the pension were made before 6 April 2015 in respect of the deceased member out of any of the following—
    - (i) the fund from which the pension is paid, and
    - (ii) any fund represented (to any extent) by that fund.
- (2B) This section does not apply to pension within section 574(1)(bb) if the pension is paid in respect of a deceased individual who had not reached the age of 75 at the date of death.
- (2C) Subsection (2A) is subject to subsection (2D).
- (2D) This section does apply to pension within section 574(1)(ba) paid in respect of a deceased member of a pension scheme who had not reached the age of 75 at the date of death if the pension is paid in respect of sums or assets held for the purposes of the pension scheme under which the pension is paid (“the paying scheme”) that would, if the paying scheme were a registered pension scheme, be sums or assets—
- (a) representing unused uncrystallised funds (within the meaning of paragraph 27E(4) and (5) of Schedule 28 to FA 2004) in the deceased member's case, and
  - (b) designated on or after 6 April 2015 as available for the payment of dependants' drawdown pension or nominees' drawdown pension, but
  - (c) not so designated before the end of the period of two years beginning with the earlier of the day on which the scheme manager of the paying scheme first knew of the member's death and the day on which the scheme manager could first reasonably have been expected to have known of it.]
- [<sup>F11</sup>(2E) Chapter 17 of this Part provides exemptions for certain annuities (see sections 646D and 646E: certain beneficiaries' annuities purchased out of unused or drawdown funds).
- (2F) See also paragraph 45A of Schedule 36 to FA 2004 (exemption in certain cases for payments on or after 6 April 2015 to beneficiaries under joint-life or similar annuities purchased before 6 April 2006).]
- (3) For pensions paid by or on behalf of a person who is in the United Kingdom, see Chapter 3 of this Part.
- [<sup>F12</sup>(4) This section also applies to a pension paid by or on behalf of a person who is outside the United Kingdom to a person who is not resident in the United Kingdom if—

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- (a) the pension is a relevant lump sum paid under a pension scheme to that person in respect of a member of the scheme, and
- (b) the member is, or immediately before the member's death was, resident in the United Kingdom.]

#### Textual Amendments

- F10** S. 573(2A)-(2D) inserted (with effect in accordance with Sch. 2 para. 25(7) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 25(2)**
- F11** S. 573(2E)(2F) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), **Sch. 4 para. 20**
- F12** S. 573(4) inserted (27.4.2017) by [Finance Act 2017 \(c. 10\)](#), **Sch. 3 para. 8**

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

- C6** S. 573 applied (6.4.2023 for the tax year 2023-24 and subsequent tax years) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), **s. 19(4)(8)**

### 574 “Pension”: interpretation

[<sup>F13</sup>(1) For the purposes of this Chapter “pension” includes—

- (a) an annuity under, or purchased with sums or assets held for the purposes of, or representing acquired rights under, a relevant non-UK scheme or an overseas pension scheme,
  - [<sup>F14</sup>(aa) a relevant lump sum (see section 574A),]
  - (b) an amount paid under a relevant non-UK scheme or an overseas pension scheme which, if the scheme were a registered pension scheme, would be income withdrawal <sup>F15</sup>... (within the meaning of [<sup>F16</sup>paragraph 7] of Schedule 28 to FA 2004),
  - [<sup>F17</sup>(ba) an amount paid under a relevant non-UK scheme or an overseas pension scheme which, if the scheme were a registered pension scheme, would be dependants' income withdrawal or nominees' income withdrawal (within the meaning of paragraphs 21 and 27D of Schedule 28 to FA 2004),
  - (bb) an amount paid under a relevant non-UK scheme or an overseas pension scheme which, if the scheme were a registered pension scheme, would be successors' income withdrawal (within the meaning of paragraph 27J of Schedule 28 to FA 2004),] and
  - (c) if conditions A and B are met, a pension which is paid voluntarily or is capable of being discontinued.]
- (2) Condition A is that the pension is paid to—
- (a) a former employee or a former office-holder,
  - (b) the widow or widower [<sup>F18</sup>or surviving civil partner] of a former employee or a former office-holder, or
  - (c) any child, relative or dependant of a former employee or a former office-holder.
- (3) Condition B is that the pension is paid by or on behalf of—
- (a) the person—
    - (i) who employed the former employee, or
    - (ii) under whom the former office-holder held the office, or
  - (b) the successors of that person.



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[<sup>F19</sup>(4) In this section—

“office” includes in particular any position which has an existence independent of the person who holds it and may be filled by successive holders;

“overseas pension scheme” has the same meaning as in Part 4 of FA 2004 (see section 150(7) of that Act);

“relevant non-UK scheme” is to be read in accordance with paragraph 1(5) of Schedule 34 to FA 2004.]

#### Textual Amendments

- F13** S. 574(1) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 21\(2\)\(a\)](#)
- F14** S. 574(1)(aa) inserted (27.4.2017) by [Finance Act 2017 \(c. 10\)](#), [Sch. 3 para. 9](#)
- F15** Words in s. 574(1)(b) omitted (with effect in accordance with Sch. 2 para. 25(7) of the amending Act) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 25\(3\)\(a\)\(i\)](#)
- F16** Words in s. 574(1)(b) substituted (with effect in accordance with Sch. 2 para. 25(7) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 25\(3\)\(a\)\(ii\)](#)
- F17** S. 574(1)(ba)(bb) inserted (with effect in accordance with Sch. 2 para. 25(7) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 25\(3\)\(b\)](#)
- F18** Words in s. 574(2)(b) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), [regs. 1\(1\)](#), [154](#)
- F19** S. 574(4) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 21\(2\)\(b\)](#)

#### [<sup>F20</sup>574A “Pension”: relevant lump sums

- (1) A lump sum paid under a pension scheme to a member of the scheme, or to a person in respect of a member of the scheme, is “a relevant lump sum” for the purposes of this Chapter if—
- (a) the scheme is none of the following—
    - (i) a registered pension scheme,
    - (ii) a relevant non-UK scheme, and
    - (iii) an employer-financed retirement benefits scheme established in the United Kingdom, and
  - (b) the payment of the lump sum is not a relevant step by reason of which Chapter 2 of Part 7A applies.
- (2) A lump sum paid under a relevant non-UK scheme to a member of the scheme, or to a person in respect of a member of the scheme, is “a relevant lump sum” for the purposes of this Chapter if the effect of paragraphs 1 to 7 of Schedule 34 to FA 2004 is that the member payment provisions (see paragraph 1(4) of that Schedule) do not apply in relation to the payment of the lump sum.
- (3) If section 573 applies to a relevant lump sum then, for the purposes of section 575, the full amount of the pension income arising by reason of the payment of the lump sum is the amount of the lump sum, reduced as follows—
- Step 1* Deduct so much of the lump sum as is payable by reason of commutation of rights to receive pension income on which no liability to tax arises as a result of any provision of Chapter 17 of this Part.

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*Step 2* Where the lump sum is paid under a pension scheme that was an employer-financed retirement benefits scheme immediately before 6 April 2017, deduct so much of the lump sum left after Step 1 as is deductible in accordance with subsection (6). Where the lump sum is paid otherwise than under such a scheme, deduct so much of the lump sum left after Step 1 as is paid in respect of the value immediately before 6 April 2017 of rights, accrued by then, specifically to receive benefits by way of lump sum payments.

*Step 3* If the lump sum is paid under an overseas pension scheme, deduct so much of the lump sum left after Step 2 as would, if the scheme were a registered pension scheme, not be liable to income tax under this Part. For the purposes of this Step—

- (a) treat amounts not included in taxable pension income because of section 636B(3) as being not liable to tax;
  - (b) assume that all or part of the member's lifetime allowance is available.
- (4) The amount given by subsection (3) is treated for the purposes of section 575 as arising when the lump sum is paid.
- (5) The Commissioners may by regulations make provision (including provision amending this section) as to the assumptions to be made for the purposes of Step 3.
- (6) These rules apply for the purposes of the first sentence of Step 2—
- (a) “the post-Step 1 amount” means so much of the lump sum as is left after Step 1;
  - (b) “the relevant amount” means so much of the post-Step 1 amount as is paid in respect of rights specifically to receive benefits by way of lump sum payments;
  - (c) “reckonable service” means service in respect of which the rights to receive the relevant amount accrued (whether or not service in the same employment or with the same employer, and even if the rights originally accrued under a different employer-financed retirement benefits scheme established in or outside the United Kingdom);
  - (d) “pre-6 April 2017 reckonable service” means reckonable service that is service before 6 April 2017;
  - (e) “pre-6 April 2017 reckonable foreign service” means pre-6 April 2017 reckonable service that is foreign service;
  - (f) the deductible amount is the value immediately before 6 April 2017 of the rights then accrued to payment of so much of the relevant amount as is paid in respect of pre-6 April 2017 reckonable service if—
    - (i) at least 75% of pre-6 April 2017 reckonable service is made up of foreign service, or
    - (ii) the period of pre-6 April 2017 reckonable service exceeds 10 years and the whole of the last 10 years of that period is made up of foreign service, or
    - (iii) the period of pre-6 April 2017 reckonable service exceeds 20 years and at least 50% of that period, including any 10 of the last 20 years, is made up of foreign service;
  - (g) otherwise, the deductible amount is the appropriate fraction of the value immediately before 6 April 2017 of the rights then accrued to payment of so much of the relevant amount as is paid in respect of pre-6 April 2017 reckonable service;

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(h) “the appropriate fraction” is given by—

$$\frac{F}{R}$$

where—

F is the period of pre-6 April 2017 reckonable foreign service, and

R is the period of pre-6 April 2017 reckonable service.

(7) In this section—

“employer-financed retirement benefits scheme” has the same meaning as in Chapter 2 of Part 6 (see section 393A),

“foreign service” has the meaning given by section 395C,

“member”, in relation to a pension scheme, has the meaning given by section 151 of FA 2004,

“overseas pension scheme” has the same meaning as in Part 4 of FA 2004 (see section 150(7) of that Act),

“payment” includes a transfer of assets and any other transfer of money's worth,

“pension scheme” has the meaning given by section 150(1) of FA 2004, and

“relevant non-UK scheme” is to be read in accordance with paragraph 1(5) of Schedule 34 to FA 2004.]

#### Textual Amendments

**F20** S. 574A inserted (with effect in accordance with Sch. 3 para. 10(2) of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 3 para. 10\(1\)](#)

### 575 Taxable pension income

(1) If section 573 applies, the taxable pension income for a tax year is [<sup>F21</sup>the full amount of the pension income arising in the tax year, but subject to subsections [<sup>F22</sup>(1A)]<sup>F23</sup>... and (3) [<sup>F24</sup>and section 576A].]

[<sup>F25</sup>(1A) If the person liable for the tax under this Part is an individual and the tax year is a split year as respects that individual, the taxable pension income for the tax year is the full amount of the pension income arising in the UK part of the year, subject to [<sup>F26</sup>subsection] (3) and section 576A.]

<sup>F27</sup>[<sup>F28</sup>(2) .....

(3) [<sup>F29</sup>The full amount of the pension income arising in the tax year, or (as the case may be) the UK part of the tax year,] is treated as relevant foreign income for the purposes of Chapters 2 and 3 of Part 8 of [<sup>F30</sup>ITTOIA 2005] (relevant foreign income: remittance basis and deductions and reliefs).

<sup>F31</sup>(4) .....

(5) See also Chapter 4 of that Part (unremittable income).]

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### Textual Amendments

- F21** Words in s. 575(1) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 606\(2\)](#) (with Sch. 2)
- F22** Word in s. 575(1) inserted (with effect in accordance with Sch. 45 para. 153(2) of the amending Act) by [Finance Act 2013 \(c. 29\), Sch. 45 para. 72\(2\)](#)
- F23** Word in s. 575(1) omitted (with effect in accordance with Sch. 3 para. 2(6)(7) of the amending Act) by virtue of [Finance Act 2017 \(c. 10\), Sch. 3 para. 2\(4\)\(a\)\(i\)](#)
- F24** Words in s. 575(1) inserted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\), Sch. 16 para. 21\(3\)](#)
- F25** S. 575(1A) inserted (with effect in accordance with Sch. 45 para. 153(2) of the amending Act) by [Finance Act 2013 \(c. 29\), Sch. 45 para. 72\(3\)](#)
- F26** Word in s. 575(1A) substituted (with effect in accordance with Sch. 3 para. 2(6)(7) of the amending Act) by [Finance Act 2017 \(c. 10\), Sch. 3 para. 2\(4\)\(a\)\(ii\)](#)
- F27** S. 575(2) omitted (with effect in accordance with Sch. 3 para. 2(6)(7) of the amending Act) by virtue of [Finance Act 2017 \(c. 10\), Sch. 3 para. 2\(1\)](#)
- F28** S. 575(2)-(5) substituted for s. 575(2) (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 606\(3\)](#) (with Sch. 2)
- F29** Words in s. 575(3) substituted (with effect in accordance with Sch. 3 para. 2(6)(7) of the amending Act) by [Finance Act 2017 \(c. 10\), Sch. 3 para. 2\(4\)\(a\)\(iii\)](#)
- F30** Words in s. 575(3) substituted (with effect in accordance with Sch. 3 para. 2(6)(7) of the amending Act) by [Finance Act 2017 \(c. 10\), Sch. 3 para. 2\(4\)\(a\)\(iv\)](#)
- F31** S. 575(4) omitted (with effect in accordance with Sch. 7 para. 81 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\), Sch. 7 para. 45](#)

## 576 Person liable for tax

If section 573 applies, the person liable for any tax charged under this Part is the person receiving or entitled to the pension.

### [<sup>F32</sup>576A] Temporary non-residents

- (1) This section applies if a person is temporarily non-resident.
- (2) Any relevant withdrawals within subsection (3) are to be treated for the purposes of section 575 as if they arose in the period of return [<sup>F33</sup>, but only if the total amount of—
  - (a) the relevant withdrawals within subsection (3), and
  - (b) the relevant withdrawals (as defined by section 579CA(4)) within section 579CA(3) for the same temporary period of non-residence, exceeds £100,000].
- (3) A relevant withdrawal is within this subsection if—
  - (a) it is paid to the person in the temporary period of non-residence, and
  - (b) ignoring this section, it is not chargeable to tax under this Part (or would not be if a DTR claim were made in respect of it).
- [<sup>F34</sup>(4) A “relevant withdrawal” is an amount paid under a relevant non-UK scheme that—
  - (a) is paid to the person in respect of an arrangement relating to the person under the scheme and would, if the scheme were a registered pension scheme, be income withdrawal (within the meaning of paragraph 7 of Schedule 28 to FA

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- 2004) paid to the person from the person's member's flexi-access drawdown fund in respect of the arrangement,
- (b) is paid to the person in respect of an arrangement relating to the person under the scheme and would, if the scheme were a registered pension scheme, be dependants' income withdrawal (within the meaning of paragraph 21 of Schedule 28 to FA 2004) paid to the person from the person's dependant's flexi-access drawdown fund in respect of the arrangement,
  - (c) is paid to the person in respect of an arrangement relating to the person under the scheme and would, if the scheme were a registered pension scheme, be nominees' income withdrawal (within the meaning of paragraph 27D of Schedule 28 to FA 2004) paid to the person from the person's nominee's flexi-access drawdown fund in respect of the arrangement,
  - (d) is paid to the person in respect of an arrangement relating to the person under the scheme and would, if the scheme were a registered pension scheme, be successors' income withdrawal (within the meaning of paragraph 27J of Schedule 28 to FA 2004) paid to the person from the person's successor's flexi-access drawdown fund in respect of the arrangement,
  - (e) is a payment to the person of an annuity purchased using sums or assets held for the purposes of an arrangement relating to the person under the scheme and would, if the scheme were a registered pension scheme, be a payment of a short-term annuity (within the meaning of paragraph 6 of Schedule 28 to FA 2004) purchased using sums or assets out of the person's member's flexi-access drawdown fund in respect of the arrangement,
  - (f) is a payment to the person of an annuity purchased using sums or assets held for the purposes of an arrangement relating to the person under the scheme and would, if the scheme were a registered pension scheme, be a payment of a dependants' short-term annuity (within the meaning of paragraph 20 of Schedule 28 to FA 2004) purchased using sums or assets out of the person's dependant's flexi-access drawdown fund in respect of the arrangement,
  - (g) is a payment to the person of an annuity purchased using sums or assets held for the purposes of an arrangement relating to the person under the scheme and would, if the scheme were a registered pension scheme, be a payment of a nominees' short-term annuity (within the meaning of paragraph 27C of Schedule 28 to FA 2004) purchased using sums or assets out of the person's nominee's flexi-access drawdown fund in respect of the arrangement,
  - (h) is a payment to the person of an annuity purchased using sums or assets held for the purposes of an arrangement relating to the person under the scheme and would, if the scheme were a registered pension scheme, be a payment of a successors' short-term annuity (within the meaning of paragraph 27H of Schedule 28 to FA 2004) purchased using sums or assets out of the person's successor's flexi-access drawdown fund in respect of the arrangement,
  - (i) is paid before 6 April 2015 to the person in respect of an arrangement relating to the person under the scheme which at the time of the payment was an arrangement to which section 165(3A) or 167(2A) of FA 2004 (flexible drawdown arrangements) applied and would, if the scheme had been a registered pension scheme, have been income withdrawal or dependants' income withdrawal (within the meaning of paragraphs 7 and 21 of Schedule 28 to FA 2004),
  - (j) is a payment to the person of an annuity purchased using sums or assets held for the purposes of an arrangement relating to the person under the scheme where—

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- (i) the payment would, if the scheme were a registered pension scheme, be of a lifetime annuity or dependants' annuity within paragraph 3(1A) or 17(1ZA), as the case may be, of Schedule 28 to FA 2004, and
  - (ii) the terms of the contract under which it is paid are such that there will or could be decreases in the amount of the annuity other than decreases which, if the scheme were a registered pension scheme, would be decreases from time to time allowed by regulations under paragraph 3(1)(d) or 17(1)(c), as the case may be, of Schedule 28 to FA 2004 (and any such regulations are to be treated as having effect for this purpose), or
  - (k) is a payment to the person under a money purchase arrangement relating to the person under the scheme that, if the scheme were a registered pension scheme, would be a payment to the person of a scheme pension that the person would for the purposes of Part 4 of FA 2004 be treated as having become entitled to at a time on or after 6 April 2015 when fewer than 11 other individuals were entitled to present payment of a scheme pension under the scheme.
- (4A) For the purpose of determining whether the figure specified in subsection (2) is exceeded, any relevant withdrawal paid in a currency other than sterling is to be translated into sterling using the average exchange rate for the year ending with 31 March in the tax year in which the relevant withdrawal is paid.]
- (5) If section 809B, 809D or 809E of ITA 2007 (remittance basis) applies to the person for the year of return, any relevant withdrawal within subsection (3) that was remitted to the United Kingdom in the temporary period of non-residence is to be treated as remitted to the United Kingdom in the period of return.
- (6) This section does not apply to a relevant withdrawal if—
- (a) it is paid to or in respect of a relieved member of the scheme and is not referable to the member's UK tax-relieved fund under the scheme, or
  - (b) it is paid to or in respect of a transfer member of the scheme and is not referable to the member's relevant transfer fund under the scheme.
- (7) Nothing in any double taxation relief arrangements is to be read as preventing the person from being chargeable to income tax in respect of any relevant withdrawal treated by virtue of this section as arising in the period of return (or as preventing a charge to that tax from arising as a result).
- (8) Part 4 of Schedule 45 to FA 2013 (statutory residence test: anti-avoidance) explains—
- (a) when a person is to be regarded as “temporarily non-resident”, and
  - (b) what “the temporary period of non-residence” and “the period of return” mean.
- (9) In this section—
- “double taxation relief arrangements” means arrangements that have effect under section 2(1) of TIOPA 2010;
  - “DTR claim” means a claim for relief under section 6 of that Act;
  - [<sup>F35</sup>“member's flexi-access drawdown fund” and “dependant's flexi-access drawdown fund” have the same meaning as in Part 4 of FA 2004 (see paragraphs 8A and 22A of Schedule 28 to FA 2004);]
  - “remitted to the United Kingdom” has the same meaning as in Chapter A1 of Part 14 of ITA 2007;

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[<sup>F36</sup>“scheme pension” means a scheme pension within the meaning of paragraph 2 of Schedule 28 to FA 2004 or a dependants' scheme pension within the meaning of paragraphs 16 to 16C of that Schedule;]

“the year of return” means the tax year that consists of or includes the period of return.

(10) The following expressions have the meaning given in Schedule 34 to FA 2004—

“relevant non-UK scheme” (see paragraph 1(5));

“relieved member” (see paragraph 1(7));

“transfer member” (see paragraph 1(8));

“member's UK tax-relieved fund” (see paragraph 3(2));

“member's relevant transfer fund” (see paragraph 4(2)).]

#### Textual Amendments

**F32** S. 576A substituted (with effect in accordance with [Sch. 45 para. 153\(3\)](#) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 45 para. 116](#)

**F33** Words in s. 576A(2) inserted (6.4.2015) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 83\(2\)\(5\)](#)

**F34** S. 576A(4)(4A) substituted for s. 576A(4) (6.4.2015) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 83\(3\)\(5\)](#)

**F35** Words in s. 576A(9) substituted (6.4.2015) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 83\(4\)\(a\)](#), (5)

**F36** Words in s. 576A(9) inserted (6.4.2015) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 83\(4\)\(b\)](#), (5)

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

**C7** S. 576A modified (6.4.2015) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 84](#)

**C8** S. 576A modified (with application in accordance with [Sch. 3 para. 12\(1\)\(2\)](#) of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 3 para. 12\(1\)](#)

**C9** S. 576A modified (with application in accordance with [Sch. 4 para. 10\(1\)\(4\)](#) of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 4 para. 10](#)

**C10** S. 576A modified (with application in accordance with [Sch. 3 para. 11\(1\)\(2\)](#) of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 3 para. 11\(1\)](#)

**C11** S. 576A modified (with application in accordance with [Sch. 4 para. 9\(1\)\(4\)](#) of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 4 para. 9](#)

## CHAPTER 5

### UNITED KINGDOM SOCIAL SECURITY PENSIONS

#### 577 United Kingdom social security pensions

(1) This section applies to—

the state pension,  
graduated retirement benefit,  
industrial death benefit,  
widowed mother's allowance,  
widowed parent's allowance, and

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widow's pension.

[<sup>F37</sup>(1A) But this section does not apply to any social security pension lump sum (within the meaning of section 7 of F(No.2)A 2005).]

(2) In this section—

“state pension” means any pension payable under—

(za) [<sup>F38</sup>any provision of Part 1 of the Pensions Act 2014 or any corresponding provision under the law of Northern Ireland,]

(a) section 44, 48A, [<sup>F39</sup>48AA,] 48B, 48BB, 51 or 78 of SSCBA 1992, or

(b) section 44, [<sup>F40</sup>48A], 48B, 48BB, 51 or 78 of SSCB(NI)A 1992 [<sup>F41</sup>or any provision under the law of Northern Ireland that corresponds to section 48AA of SSCBA 1992];

“graduated retirement benefit” means any benefit payable under—

(a) section 36 or 37 of the National Insurance Act 1965 (c. 51), or

(b) section 35 or 36 of the National Insurance Act (Northern Ireland) 1966 (c. 6 (N.I.));

“industrial death benefit” means any benefit payable under—

(a) section 94 of, and Part 6 of Schedule 7 to, SSCBA 1992, or

(b) section 94 of, and Part 6 of Schedule 7 to, SSCB(NI)A 1992;

“widowed mother's allowance” means any allowance payable under—

(a) section 37 of SSCBA 1992, or

(b) section 37 of SSCB(NI)A 1992;

“widowed parent's allowance” means any allowance payable under—

(a) section 39A of SSCBA 1992, or

(b) section 39A of SSCB(NI)A 1992;

“widow's pension” means any pension payable under—

(a) section 38 of SSCBA 1992, or

(b) section 38 of SSCB(NI)A 1992.

<sup>F42</sup>(3) .....

(4) Chapter 17 of this Part provides a partial exemption for a pension to which this section applies in respect of any part of the pension which is attributable to an increase in respect of a child (see section 645).

#### Textual Amendments

**F37** S. 577(1A) inserted (20.7.2005) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), **s. 10(2)**

**F38** Words in s. 577(2) inserted (6.4.2016) by [Pensions Act 2014 \(c. 19\)](#), s. 56(4), **Sch. 12 para. 45**

**F39** Word in s. 577 inserted (6.4.2016) by [Pensions Act 2014 \(c. 19\)](#), s. 56(4), **Sch. 12 para. 74(a)**

**F40** Word in s. 577(2) substituted (22.7.2004) by [Finance Act 2004 \(c. 12\)](#), **Sch. 17 para. 9(4)(a)**

**F41** Words in s. 577 inserted (6.4.2016) by [Pensions Act 2014 \(c. 19\)](#), s. 56(4), **Sch. 12 para. 74(b)**

**F42** S. 577(3) repealed (22.7.2004) by [Finance Act 2004 \(c. 12\)](#), Sch. 17 para. 9(4)(b), **Sch. 42 Pt. 2(12)**

## 578 Taxable pension income

If section 577 applies, the taxable pension income for a tax year is the full amount of the pension, benefit or allowance accruing in that year irrespective of when any amount is actually paid.



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## 579 Person liable for tax

If section 577 applies, the person liable for any tax charged under this Part is the person receiving or entitled to the pension, benefit or allowance.

### [<sup>F43</sup>CHAPTER 5A

#### PENSIONS UNDER REGISTERED PENSION SCHEMES

##### Textual Amendments

**F43** Pt. 9 Ch. 5A inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 6](#) (with [Sch. 36](#))

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

**C12** Pt. 9 Ch. 5A restricted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), [Sch. 36 para. 43\(2\)](#) (with s. 283(5), [Sch. 36](#))

**C13** Pt. 9 Ch. 5A modified (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), [Sch. 36 paras. 44, 45](#) (with s. 283(5), [Sch. 36](#))

**C14** Pt. 9 Ch. 5A modified (1.4.2012 being "the specified day", see S.I. 2012/687, 688 and 966) by [The Postal Services Act 2011 \(Taxation\) Regulations 2012 \(S.I. 2012/764\)](#), regs. 1(1), [23\(2\)](#)

**C15** Pt. 9 Ch. 5A modified (1.4.2012 being "the specified day", see S.I. 2012/687, 688 and 966) by [The Postal Services Act 2011 \(Taxation\) Regulations 2012 \(S.I. 2012/764\)](#), regs. 1(1), [24](#)

## 579A Pensions

- (1) This section applies to any pension under a registered pension scheme (but subject to subsection (2) [<sup>F44</sup>and section 579CZA]).
- (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).

[ Chapter 17 of this Part provides exemptions for certain annuities (see sections 646B <sup>F45</sup>(3) and 646C: certain beneficiaries' annuities purchased out of unused or drawdown funds).]

##### Textual Amendments

**F44** Words in s. 579A(1) inserted (with effect in accordance with Sch. 2 para. 25(7) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 25\(4\)](#)

**F45** S. 579A(3) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 22](#)

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

**C16** S. 579A applied (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, [41](#)

**C17** S. 579A applied (6.4.2023 for the tax year 2023-24 and subsequent tax years) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), s. [19\(2\)\(8\)](#)

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## 579B Taxable pension income

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 [<sup>F46</sup>This is subject to section 579CA.]

### Textual Amendments

**F46** Words in s. 579B inserted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by Finance Act 2011 (c. 11), **Sch. 16 para. 22(2)**

## 579C Person liable for tax

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.

### <sup>F47</sup>579CZA Exemption for beneficiaries' income withdrawal in some cases

(1) Section 579A does not apply to dependants' income withdrawal or nominees' income withdrawal if it is paid—

- (a) in respect of a deceased member of a registered pension scheme who had not reached the age of 75 at the date of the member's death, and
- (b) to a person from the person's—
  - (i) dependant's drawdown pension fund,
  - (ii) dependant's flexi-access drawdown fund, or
  - (iii) nominee's flexi-access drawdown fund,

in respect of a money purchase arrangement under a registered pension scheme.

(2) Section 579A does not apply to successors' income withdrawal if it is paid—

- (a) in respect of a deceased beneficiary of a deceased member of a registered pension scheme where the beneficiary had not reached the age of 75 at the date of the beneficiary's death, and
- (b) to a person from the person's successor's flexi-access drawdown fund in respect of a money purchase arrangement under a registered pension scheme, and here “beneficiary” means dependant, nominee or successor.

(3) Subsection (1) is subject to the following provisions of this section.

(4) Section 579A does apply to dependants' income withdrawal paid on or after 6 April 2015 to a person from the person's dependant's drawdown pension fund in respect of a money purchase arrangement under a registered pension scheme (“the drawdown fund”) if before 6 April 2015—

- (a) any payment of dependants' income withdrawal was made from—
  - (i) the drawdown fund, or
  - (ii) any fund represented (to any extent) by the drawdown fund, or
- (b) any payment was made of a dependants' short-term annuity purchased using sums or assets out of—
  - (i) the drawdown fund, or
  - (ii) any fund represented (to any extent) by the drawdown fund.

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- (5) Section 579A does apply to dependants' income withdrawal paid in respect of a deceased member of a registered pension scheme to a person from the person's dependant's flexi-access drawdown fund in respect of a money purchase arrangement under a registered pension scheme (“the new fund”) if—
- (a) any of the sums or assets that make up the new fund—
    - (i) became newly-designated dependant funds under paragraph 22A(2)(b) of Schedule 28 to FA 2004 or as a result of the operation of any of paragraphs 22B to 22D of that Schedule, or
    - (ii) arise, or (directly or indirectly) derive, from any such newly-designated dependant funds or from sums or assets which so arise or derive,
  - [<sup>F48</sup>(b) before 6 April 2015—
    - (i) any payment of dependants' income withdrawal in respect of the deceased member was made to the person from, or
    - (ii) any payment in respect of the deceased member was made to the person of a dependants' short-term annuity purchased using sums or assets out of,  
the person's dependant's drawdown pension fund in respect of a money purchase arrangement under a registered pension scheme, and]
  - (c) any of the sums or assets that made up that fund at the time of that payment to any extent make up, or are represented by sums or assets that to any extent make up, the new fund.
- (6) Where relevant unused uncrystallised funds—
- (a) are designated on or after 6 April 2015 as available for the payment of dependants' drawdown pension or nominees' drawdown pension, and
  - (b) as a result of the designation make up (to any extent) a person's dependant's flexi-access drawdown fund or nominee's flexi-access drawdown fund in respect of a money purchase arrangement under a registered pension scheme, but
  - (c) are not so designated before the end of the relevant two-year period,
- section 579A does apply to dependants' income withdrawal or nominees' income withdrawal paid to the person from the fund so far as it is paid in respect of sums or assets for the time being representing the whole or any part of those relevant unused uncrystallised funds.
- (7) In this section—
- “dependant”, “nominee” and “successor” have the meaning given (respectively) by paragraphs 15, 27A and 27F of Schedule 28 to FA 2004,
  - “dependant's drawdown pension fund”, “dependant's flexi-access drawdown fund”, “nominee's flexi-access drawdown fund” and “successor's flexi-access drawdown fund” have the meaning given (respectively) by paragraphs 22, 22A, 27E and 27K of Schedule 28 to FA 2004,
  - “money purchase arrangement” has the meaning given by section 152 of FA 2004, and
  - “the relevant two-year period”, in relation to relevant unused uncrystallised funds held for the purposes of a money purchase arrangement relating to a deceased individual under a registered pension scheme, means the period of two years beginning with the earlier of the day on which the scheme administrator of

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the scheme first knew of the individual's death and the day on which the scheme administrator could first reasonably have been expected to have known of it.

- (8) For the purposes of this section, sums or assets held after the death of a member of a registered pension scheme for the purposes of a money purchase arrangement relating to the member under the scheme are “relevant unused uncrystallised funds” if—
- (a) they are unused uncrystallised funds, and
  - (b) the member had not reached the age of 75 at the date of the member's death.
- (9) Paragraph 27E(4) and (5) of Schedule 28 to FA 2004 (meaning of “unused uncrystallised funds”) apply for the purposes of subsection (8)(a).]

#### Textual Amendments

- F47** S. 579CZA inserted (with effect in accordance with Sch. 2 para. 25(7) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 25\(5\)](#)
- F48** S. 579CZA(5)(b) substituted (with effect in accordance with Sch. 4 para. 23(2) of the amending Act) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 23\(1\)](#)

#### [<sup>F49</sup>579CA] Temporary non-residents

- (1) This section applies if a person is temporarily non-resident.
- (2) Any relevant withdrawals within subsection (3) are to be treated for the purposes of section 579B as if they accrued in the period of return [<sup>F50</sup>, but only if the total amount of—
  - (a) the relevant withdrawals within subsection (3), and
  - (b) the relevant withdrawals (as defined by section 576A(4)) within section 576A(3) for the same temporary period of non-residence, exceeds £100,000]
- (3) A relevant withdrawal is within this subsection if—
  - (a) it is paid to the person in the temporary period of non-residence, and
  - (b) ignoring this section, it is not chargeable to tax under this Part (or would not be if a DTR claim were made in respect of it).
- [<sup>F51</sup>(4) A “relevant withdrawal” is—
  - (a) any income withdrawal paid to the person from a member's flexi-access drawdown fund in respect of an arrangement relating to the person under a registered pension scheme,
  - (b) any dependants' income withdrawal paid to the person from a dependant's flexi-access drawdown fund in respect of an arrangement relating to the person under a registered pension scheme,
  - (c) any nominees' income withdrawal paid to the person from a nominee's flexi-access drawdown fund in respect of an arrangement relating to the person under a registered pension scheme,
  - (d) any successors' income withdrawal paid to the person from a successor's flexi-access drawdown fund in respect of an arrangement relating to the person under a registered pension scheme,

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- (e) any payment to the person of a short-term annuity purchased using sums or assets out of a member's flexi-access drawdown fund in respect of an arrangement relating to the person under a registered pension scheme,
- (f) any payment to the person of a dependants' short-term annuity purchased using sums or assets out of a dependant's flexi-access drawdown fund in respect of an arrangement relating to the person under a registered pension scheme,
- (g) any payment to the person of a nominees' short-term annuity purchased using sums or assets out of a nominee's flexi-access drawdown fund in respect of an arrangement relating to the person under a registered pension scheme,
- (h) any payment to the person of a successors' short-term annuity purchased using sums or assets out of a successor's flexi-access drawdown fund in respect of an arrangement relating to the person under a registered pension scheme,
- (i) any uncrystallised funds pension lump sum paid to the person in respect of an arrangement relating to the person under a registered pension scheme, but only so far as section 579A applies in relation to the sum (see section 636A),
- (j) any income withdrawal, or dependants' income withdrawal, paid before 6 April 2015 to the person under a registered pension scheme in respect of an arrangement relating to the person under the scheme which at the time of the payment was an arrangement to which section 165(3A) or 167(2A) of FA 2004 applied (flexible drawdown arrangements),
- (k) any payment to the person of a lifetime annuity or dependants' annuity where—
  - (i) the annuity is within paragraph 3(1A) or 17(1ZA), as the case may be, of Schedule 28 to FA 2004,
  - (ii) the terms of the contract under which the annuity is paid 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) or 17(1)(c), as the case may be, of Schedule 28 to FA 2004 (and any such regulations are to be treated as having effect for this purpose), and
  - (iii) the annuity is purchased using sums or assets held for the purposes of a registered pension scheme,<sup>F52</sup>...
- (l) any payment to the person of a scheme pension, or dependants' scheme pension, under a money purchase arrangement under a registered pension scheme where—
  - (i) the person first acquired an actual (rather than a prospective) right to receive the scheme pension on or after 6 April 2015,
  - (ii) when the person first acquired that actual right, 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
  - (iii) the scheme pension is not payable under an annuity contract treated under section 153(8) or (8A) of FA 2004 as having become a registered pension scheme<sup>F53</sup>, or
- (m) any payment to the person of a lump sum to which section 579A applies by virtue of section 636A(4ZA).]

(4A) For the purpose of determining whether the figure specified in subsection (2) is exceeded, any relevant withdrawal paid in a currency other than sterling is to be

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translated into sterling using the average exchange rate for the year ending with 31 March in the tax year in which the relevant withdrawal is paid.]

- (5) Nothing in any double taxation relief arrangements is to be read as preventing the person from being chargeable to income tax in respect of any relevant withdrawal treated by virtue of this section as accruing in the period of return (or as preventing a charge to that tax from arising as a result).
- (6) Part 4 of Schedule 45 to FA 2013 (statutory residence test: anti-avoidance) explains—
- (a) when a person is to be regarded as “temporarily non-resident”, and
  - (b) what “the temporary period of non-residence” and “the period of return” mean.
- (7) In this section—

“double taxation relief arrangements” means arrangements that have effect under section 2(1) of TIOPA 2010;

“DTR claim” means a claim for relief under section 6 of that Act;

[<sup>F54</sup>“dependants' annuity”, “dependant's flexi-access drawdown fund”, “dependants' scheme pension”, “dependants' short-term annuity”, “lifetime annuity”, “member's flexi-access drawdown fund”, “money purchase arrangement”, “nominee's flexi-access drawdown fund”, “scheme pension”, “short-term annuity”, “successor's flexi-access drawdown fund” and “uncrystallised funds pension lump sum” have the same meaning as in Part 4 of FA 2004 (see section 152 of FA 2004 and paragraphs 2, 3, 6, 8A, 16 to 16C, 17, 20, 22A, 27E and 27K of Schedule 28, and paragraph 4A of Schedule 29, to FA 2004).]]

#### Textual Amendments

- F49** S. 579CA substituted (with effect in accordance with [Sch. 45 para. 153\(3\)](#) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 45 para. 117](#)
- F50** Words in s. 579CA(2) inserted (6.4.2015) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 81\(2\)\(5\)](#)
- F51** S. 579CA(4)(4A) substituted for s. 579CA(4) (6.4.2015) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 81\(3\)\(5\)](#)
- F52** Word in s. 579CA(4)(k) as substituted by paragraph 117 of Schedule 45 to the Finance Act 2013 omitted (with effect in accordance with s. 22(12) of the amending Act) by virtue of [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 22\(6\)\(a\)](#)
- F53** S. 579CA(4)(m) and word as substituted by paragraph 117 of Schedule 45 to the Finance Act 2013 inserted (with effect in accordance with s. 22(12) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 22\(6\)\(b\)](#)
- F54** Words in s. 579CA(7) substituted (6.4.2015) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 81\(4\)\(5\)](#)

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

- C18** S. 579CA modified (6.4.2015) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 82](#)
- C19** S. 579CA as it has effect if the year of departure is the tax year 2012-13 or an earlier tax year modified (with effect in accordance with s. 22(12) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 22\(7\)](#)

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## [<sup>F55</sup>579D Interpretation

In this Chapter—

“income withdrawal” has the meaning given by paragraph 7 of that Schedule;  
[<sup>F56</sup>“nominees' income withdrawal” has the meaning given by paragraph 27D of that Schedule;]

[<sup>F56</sup>“successors' income withdrawal” has the meaning given by paragraph 27J of Schedule 28 to FA 2004.]

“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 [<sup>F57</sup>, or nominees' income withdrawal or successors' income withdrawal,] under a registered pension scheme.]]

### Textual Amendments

- F55** S. 579D substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 22\(4\)](#)
- F56** Words in s. 579D inserted (with effect in accordance with Sch. 2 para. 25(7) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 25\(6\)\(a\)](#)
- F57** Words in s. 579D inserted (with effect in accordance with Sch. 2 para. 25(7) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 25\(6\)\(b\)](#)

## <sup>F58</sup>CHAPTER 6

### APPROVED RETIREMENT BENEFITS SCHEMES

### Textual Amendments

- F58** Pt. 9 Ch. 6 repealed (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 7](#), [Sch. 42 Pt. 3](#) (with [Sch. 36](#))

### *Pensions and annuities*

#### **580 Pensions and annuities**

.....

#### **581 Taxable pension income**

.....

#### **582 Person liable for tax**

.....

*Status: Point in time view as at 22/02/2024.*

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### *Unauthorised payments*

#### **583 Unauthorised payments**

.....

#### **584 Taxable pension income**

.....

#### **585 Person liable for tax**

.....

### *Interpretation etc.*

#### **586 Meaning of “retirement benefits scheme” etc.**

.....

#### **587 Application to marine pilots' benefit fund**

.....

#### **588 Meaning of “employee”, “former civil partner and “ex-spouse”**

.....

#### **589 Regulations**

.....

## <sup>F60</sup>CHAPTER 7

### FORMER APPROVED SUPERANNUATION FUNDS

#### **Textual Amendments**

**F60** Pt. 9 Ch. 7 repealed (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), Sch. 31 para. 7, [Sch. 42 Pt. 3](#) (with [Sch. 36](#))

### *Annuities*

#### **590 Annuities**

.....



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**591 Taxable pension income**

.....

**592 Person liable for tax**

.....

*Unauthorised payments*

**593 Unauthorised payments: application of section 583**

.....

*Interpretation*

**594 Meaning of “former approved superannuation fund”**

.....

<sup>F61</sup>**CHAPTER 8**

**APPROVED PERSONAL PENSION SCHEMES**

**Textual Amendments**

**F61** Pt. 9 Ch. 8 repealed (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), Sch. 31 para. 7, [Sch. 42 Pt. 3](#) (with [Sch. 36](#))

*Annuities*

**595 Annuities**

.....

**596 Taxable pension income**

.....

**597 Person liable for tax**

.....

*Income withdrawals*

**598 Income withdrawals**

.....

*Status: Point in time view as at 22/02/2024.*

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**599 Taxable pension income**  
.....

**600 Person liable for tax**  
.....

*Unauthorised personal pension payments*

**601 Unauthorised personal pension payments**  
.....

**602 Taxable pension income**  
.....

**603 Person liable for tax**  
.....

*Interpretation*

**604 Meaning of “personal pension scheme” and related expressions**  
.....

<sup>F62</sup>CHAPTER 9

RETIREMENT ANNUITY CONTRACTS

**Textual Amendments**

**F62** Pt. 9 Ch. 9 repealed (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), Sch. 31 para. 7, [Sch. 42 Pt. 3](#) (with [Sch. 36](#))

**605 Annuities**  
.....

**606 Meaning of “retirement annuity contract”**  
.....

**607 Taxable pension income**  
.....

*Status: Point in time view as at 22/02/2024.*

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## 608 Person liable for tax

.....

### CHAPTER 10

#### OTHER EMPLOYMENT-RELATED ANNUITIES

## 609 Annuities for the benefit of dependants

(1) This section applies to any annuity which was granted for consideration consisting in whole or in part of sums [<sup>F63</sup>—

- (a) which, in the tax year 2012-13 or an earlier tax year, satisfied the conditions for relief under section 273 of ICTA or section 459 of ITA 2007 (obligatory contributions to secure an annuity for the benefit of dependants), or
- (b) which fall within subsection (3)]

(2) But this section applies to an annuity which arises from a source outside the United Kingdom only if it is paid to a person resident in the United Kingdom.

[<sup>F64</sup>(3) A sum falls within this subsection if—

- (a) in the tax year 2013-14 or a later tax year, the sum is paid by an individual, or is deducted from an individual's earnings, under an Act or the individual's terms and conditions of employment,
- (b) the sum is for the purpose of—
  - (i) securing a deferred annuity after the individual's death for the individual's surviving spouse or civil partner, or
  - (ii) making provision after the individual's death for the individual's children, and
- (c) the individual—
  - (i) is UK resident for the tax year in which the sum is paid or deducted, or
  - (ii) at any time in that tax year, falls within any of paragraphs (a) to (f) of section 460(3) of ITA 2007 (matters relating to residence).

(4) Subsection (3)(a) does not cover contributions paid by a person under—

- (a) Part 1 of the Social Security Contributions and Benefits Act 1992, or
- (b) Part 1 of the Social Security Contributions and Benefits (Northern Ireland) Act 1992.

(5) In subsection (3)(a) “earnings” has the meaning given by section 62.]

#### Textual Amendments

**F63** Words in s. 609(1) substituted (with effect in accordance with Sch. 39 para. 32(6) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 39 para. 32\(4\)](#)

**F64** S. 609(3)-(5) inserted (with effect in accordance with Sch. 39 para. 32(6) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 39 para. 32\(5\)](#)

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## 610 Annuities under [<sup>F65</sup>non-registered occupational pension] schemes

- (1) This section applies to—
  - (a) any annuity paid under [<sup>F66</sup>an occupational pension scheme that is not a registered pension scheme], and
  - (b) any annuity acquired using funds held for the purposes of [<sup>F67</sup>such an occupational pension scheme].
- (2) But this section applies to an annuity which arises from a source outside the United Kingdom only if it is paid to a person resident in the United Kingdom.
- (3) This section does not apply to an annuity to which [<sup>F68</sup>Chapter 5A] of this Part applies.
- [<sup>F69</sup>(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).]

### Textual Amendments

- F65** Words in s. 610 heading substituted (6.4.2006) by [Finance Act 2004 \(c. 12\), s. 284\(1\), Sch. 31 para. 8\(5\)](#) (with [Sch. 36](#))
- F66** Words in s. 610(1)(a) substituted (6.4.2006) by [Finance Act 2004 \(c. 12\), s. 284\(1\), Sch. 31 para. 8\(2\)\(a\)](#) (with [Sch. 36](#))
- F67** Words in s. 610(1)(b) substituted (6.4.2006) by [Finance Act 2004 \(c. 12\), s. 284\(1\), Sch. 31 para. 8\(2\)\(b\)](#) (with [Sch. 36](#))
- F68** Words in s. 610(3) substituted (6.4.2006) by [Finance Act 2004 \(c. 12\), s. 284\(1\), Sch. 31 para. 8\(3\)](#) (with [Sch. 36](#))
- F69** S. 610(4) substituted (6.4.2006) by [Finance Act 2004 \(c. 12\), s. 284\(1\), Sch. 31 para. 8\(4\)](#) (with [Sch. 36](#))

## 611 Annuities in recognition of another’s services

- (1) This section applies to any annuity purchased by any person in recognition of another person’s services in any office or employment.
- (2) But this section applies to an annuity which arises from a source outside the United Kingdom only if it is paid to a person resident in the United Kingdom.
- (3) This section does not apply to an annuity to which [<sup>F70</sup>Chapter 5A] of this Part applies.
- (4) For the purposes of this section “office” includes in particular any position which has an existence independent of the person who holds it and may be filled by successive holders.

### Textual Amendments

- F70** Words in s. 611(3) substituted (6.4.2006) by [Finance Act 2004 \(c. 12\), s. 284\(1\), Sch. 31 para. 9](#) (with [Sch. 36](#))

## [<sup>F71</sup>611A Exemptions from sections 609 to 611

- (1) Chapter 17 of this Part provides exemptions for certain annuities (see sections 646B to 646E: certain beneficiaries' annuities purchased out of unused or drawdown funds).

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- (2) See also paragraph 45A of Schedule 36 to FA 2004 (exemption in certain cases for payments on or after 6 April 2015 to beneficiaries under joint-life or similar annuities purchased before 6 April 2006).]

#### Textual Amendments

**F71** S. 611A inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 21](#)

### 612 Taxable pension income: UK annuities

- (1) The taxable pension income for an annuity to which section 609, 610 or 611 applies is determined in accordance with this section if the annuity arises from a source in the United Kingdom.
- (2) The taxable pension income for a tax year is the full amount of the annuity arising in that year.

### 613 Taxable pension income: foreign annuities

- (1) The taxable pension income for an annuity to which section 609, 610 or 611 applies is determined in accordance with this section if the annuity arises from a source outside the United Kingdom.
- (2) The taxable pension income for a tax year is [<sup>F72</sup>the full amount of the annuity arising in the tax year, but subject to [<sup>F73</sup>subsection] (4).]
- <sup>F74</sup>[<sup>F75</sup>(3) .....
- (4) The annuity is treated as relevant foreign income for the purposes of Chapters 2 and 3 of Part 8 of [<sup>F76</sup>ITTOIA 2005] (relevant foreign income: remittance basis and deductions and reliefs).
- (5) But if the annuity arises in the Republic of Ireland, section 839 of that Act (annual payments payable out of relevant foreign income) applies with the omission of [<sup>F77</sup>conditions B1 and B2 (and the reference to them in subsection (1))] and subsection (5)(a).
- (6) See also Chapter 4 of that Part (unremittable income).]

#### Textual Amendments

- F72** Words in s. 613(2) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 1 para. 607\(2\)](#) (with Sch. 2)
- F73** Word in s. 613(2) substituted (with effect in accordance with Sch. 3 para. 2(6) of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 3 para. 2\(4\)\(b\)\(i\)](#)
- F74** S. 613(3) omitted (with effect in accordance with Sch. 3 para. 2(6) of the amending Act) by virtue of [Finance Act 2017 \(c. 10\)](#), [Sch. 3 para. 2\(2\)](#)
- F75** S. 613(3)-(6) substituted for s. 613(3)(4) (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 1 para. 607\(3\)](#) (with Sch. 2)
- F76** Words in s. 613(4) substituted (with effect in accordance with Sch. 3 para. 2(6) of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 3 para. 2\(4\)\(b\)\(ii\)](#)

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**F77** Words in s. 613(5) substituted (with effect in accordance with Sch. 3 para. 2(6) of the amending Act) by Finance Act 2017 (c. 10), Sch. 3 para. 2(5)

## **614 Person liable for tax**

If section 609, 610 or 611 applies, the person liable for any tax charged under this Part is the person receiving or entitled to the annuity.

## **CHAPTER 11**

### CERTAIN OVERSEAS GOVERNMENT PENSIONS PAID IN THE UK

## **615 Certain overseas government pensions paid in the United Kingdom**

- (1) This section applies to a pension if conditions A, B and C are met.
- (2) Condition A is that the pension—
  - (a) is payable—
    - (i) to a person who has been employed in overseas government service, or
    - (ii) to the widow, widower, [<sup>F78</sup>surviving civil partner,] child, relative or dependant of a person who has been employed in overseas government service, and
  - (b) is payable in respect of that service.
- (3) Condition B is that the pension—
  - (a) is payable in the United Kingdom, and
  - (b) is payable to a person who is resident in the United Kingdom.
- (4) Condition C is that the pension is payable by or on behalf of the government of—
  - (a) a country which forms part of Her Majesty’s dominions,
  - (b) any other country which is for the time being mentioned in Schedule 3 to the British Nationality Act 1981 (c. 61), or
  - (c) any territory under Her Majesty’s protection.
- (5) But condition C is not met if the pension is payable out of the public revenue of the United Kingdom or Northern Ireland.
- (6) In condition A the references to a person being employed in overseas government service are to the person being employed outside the United Kingdom—
  - (a) in the service of the Crown, or
  - (b) in service under the government of a country or territory which falls within subsection (4).
- (7) In this Chapter “pension” includes a pension which is paid voluntarily or is capable of being discontinued.

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#### Textual Amendments

**F78** Words in s. 615(2)(a)(ii) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **158**

### **616 Taxable pension income**

If section 615 applies, the taxable pension income for a tax year is the full amount of the pension accruing in that year irrespective of when any amount is actually paid.

### **617 Deduction allowed from taxable pension income**

A deduction of 10% is allowed from an amount of taxable pension income determined under section 616 (see section 567).

### **618 Person liable for tax**

If section 615 applies, the person liable for any tax charged under this Part is the person receiving or entitled to the pension.

## **CHAPTER 12**

### **HOUSE OF COMMONS MEMBERS' FUND**

### **619 The House of Commons Members' Fund**

This section applies to any periodical payment granted out of—

- (a) the House of Commons Members' Fund,
- (b) sums appropriated from that Fund, or
- (c) income from sums appropriated from that Fund.

### **620 Meaning of “House of Commons Members' Fund”**

In this Chapter “House of Commons Members' Fund” means the fund with that name [<sup>F79</sup>specified in section 1 of the House of Commons Members' Fund Act 2016].

#### Textual Amendments

**F79** Words in s. 620 substituted (12.8.2016) by [House of Commons Members Fund Act 2016 \(c. 18\)](#), ss. **8(1)**, **10**

### **621 Taxable pension income**

If section 619 applies, the taxable pension income for a tax year is the total amount of the payments made in that year.

*Status: Point in time view as at 22/02/2024.*

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**622 Person liable for tax**

If section 619 applies, the person liable for any tax charged under this Part is the person receiving or entitled to the payments.

<sup>F80</sup>**CHAPTER 13**

RETURN OF SURPLUS EMPLOYEE ADDITIONAL VOLUNTARY CONTRIBUTIONS

**Textual Amendments**

**F80** Pt. 9 Ch. 13 repealed (6.4.2006) by Finance Act 2004 (c. 12), s. 284(1), Sch. 31 para. 10, Sch. 42 Pt. 3 (with Sch. 36 and with further transitional provisions in S.I. 2006/572, arts. 1(1), 38(3))

**623 Return of surplus employee additional voluntary contributions**

.....

**624 Taxable pension income**

.....

**625 Person liable for tax**

.....

**626 Income tax treated as paid**

.....

**627 Meaning of “grossing up”**

.....

**628 Interpretation**

.....

**CHAPTER 14**

PRE-1973 PENSIONS PAID UNDER THE OVERSEAS PENSIONS ACT 1973

**629 Pre-1973 pensions paid under the Overseas Pensions Act 1973**

- (1) This section applies to a pension if—
  - (a) it is paid under section 1 of OPA 1973 (whether or not paid out of a fund established under a scheme made under that section),
  - (b) it is a pre-1973 pension, and
  - (c) it is paid to—



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- (i) the original pensioner, or
  - (ii) the widow or widower of the original pensioner.
- (2) But this section does not apply to a part of a pension which is paid because the Pensions (Increase) Act 1971 (c. 56) applies to it (and accordingly section 569 applies to that part of the pension).
- (3) Chapter 18 of this Part provides an exemption where a pension to which this section applies is paid to a person who is not resident in the United Kingdom (see sections 647 and 651).

### 630 Interpretation

- (1) For the purposes of this Chapter a person is the “original pensioner” in relation to a pension if—
  - (a) the pension is payable by virtue of the person’s service, and
  - (b) the person retired from that service before 6th April 1973.
- (2) For the purposes of this Chapter a pension is a “pre-1973 pension” if, immediately before 6th April 1973—
  - (a) the pension was payable to—
    - (i) the original pensioner, or
    - (ii) the widow or widower of the original pensioner, and
  - (b) that person was resident in the United Kingdom.

### 631 Taxable pension income

- (1) If section 629 applies, the taxable pension income for a tax year is [<sup>F81</sup>the full amount of the pension income arising in the tax year] .
- [<sup>F82</sup>(2) The full amount of the pension income arising in the tax year is to be calculated on the basis that the pension is 90% of its actual amount.
- (3) The pension income is treated as relevant foreign income for the purposes of section 838 of that Act (expenses attributable to collection or payment of relevant foreign income).]

#### Textual Amendments

- F81** Words in s. 631(1) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 608\(2\)](#) (with Sch. 2)
- F82** S. 631(2)(3) substituted for s. 631(2) (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 608\(3\)](#) (with Sch. 2)

### 632 Person liable for tax

If section 629 applies, the person liable for any tax charged under this Part is the person receiving or entitled to the pension.

*Status: Point in time view as at 22/02/2024.*

*Changes to legislation: Income Tax (Earnings and Pensions) Act 2003, Part 9 is up to date with all changes known to be in force on or before 14 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)*

## CHAPTER 15

### VOLUNTARY ANNUAL PAYMENTS

#### 633 Voluntary annual payments

- (1) This section applies to an annual payment which—
  - (a) is paid voluntarily, or
  - (b) is capable of being discontinued, if conditions A and B are met.
- (2) Condition A is that the payment is paid to—
  - (a) a former employee or a former office-holder,
  - (b) the widow or widower [<sup>F83</sup>or surviving civil partner] of a former employee or former office-holder, or
  - (c) any child, relative or dependant of a former employee or a former office-holder.
- (3) Condition B is that the payment is paid by or on behalf of—
  - (a) the person—
    - (i) who employed the former employee, or
    - (ii) under whom the former office-holder held the office, or
  - (b) the successors of that person.
- (4) But this section applies to a payment which is paid by or on a behalf of a person who is outside the United Kingdom only if it is paid to a person resident in the United Kingdom.
- (5) In this section “office” includes in particular any position which has an existence independent of the person who holds it and may be filled by successive holders.

#### Textual Amendments

- F83** Words in s. 633(2)(b) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **159**

#### 634 Taxable pension income: UK voluntary annual payments

- (1) The taxable pension income for payments to which section 633 applies is determined in accordance with this section if the payments are made by or on behalf of a person who is in the United Kingdom.
- (2) The taxable pension income for a tax year is the full amount of the payments accruing in that year irrespective of when any amount is actually paid.

#### 635 Taxable pension income: foreign voluntary annual payments

- (1) The taxable pension income for payments to which section 633 applies is determined in accordance with this section if the payments are made by or on behalf of a person who is outside the United Kingdom.

*Status: Point in time view as at 22/02/2024.*

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(2) The taxable pension income for a tax year is <sup>F84</sup>the full amount of the pension income arising in the tax year, but subject to <sup>F85</sup>subsection] (4)] .

<sup>F86</sup><sup>F87</sup>(3) . . . . .

(4) <sup>F88</sup>[The full amount of the pension income arising in the tax year ] is treated as relevant foreign income for the purposes of Chapters 2 and 3 of Part 8 of <sup>F89</sup>[ITTOIA 2005] (relevant foreign income: remittance basis and deductions and reliefs).

(5) But if that pension income arises in the Republic of Ireland, section 839 of that Act (annual payments payable out of relevant foreign income) applies with the omission of <sup>F90</sup>conditions B1 and B2 (and the reference to them in subsection (1)) and subsection (5)(a).

(6) See also Chapter 4 of that Part (unremittable income).]

#### Textual Amendments

- F84** Words in s. 635(2) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 1 para. 609\(2\)](#) (with [Sch. 2](#))
- F85** Word in s. 635(2) substituted (with effect in accordance with [Sch. 3 para. 2\(6\)](#) of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 3 para. 2\(4\)\(c\)\(i\)](#)
- F86** S. 635(3) omitted (with effect in accordance with [Sch. 3 para. 2\(6\)](#) of the amending Act) by virtue of [Finance Act 2017 \(c. 10\)](#), [Sch. 3 para. 2\(3\)](#)
- F87** S. 635(3)-(6) substituted for s. 635(3) (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 1 para. 609\(3\)](#) (with [Sch. 2](#))
- F88** Words in s. 635(4) substituted (with effect in accordance with [Sch. 3 para. 2\(6\)](#) of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 3 para. 2\(4\)\(c\)\(ii\)](#)
- F89** Words in s. 635(4) substituted (with effect in accordance with [Sch. 3 para. 2\(6\)](#) of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 3 para. 2\(4\)\(c\)\(iii\)](#)
- F90** Words in s. 635(5) substituted (with effect in accordance with [Sch. 3 para. 2\(6\)](#) of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 3 para. 2\(5\)](#)

### 636 Person liable for tax

If section 633 applies, the person liable for any tax charged under this Part is the person receiving or entitled to the payment.

## <sup>F91</sup>CHAPTER 15A

### LUMP SUMS UNDER REGISTERED PENSION SCHEMES

#### Textual Amendments

- F91** Pt. 9 Ch. 15A inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#))

*Status: Point in time view as at 22/02/2024.*

*Changes to legislation: Income Tax (Earnings and Pensions) Act 2003, Part 9 is up to date with all changes known to be in force on or before 14 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)*

### 636A [F92 Exemptions and liabilities] for certain lump sums under registered pension schemes

(1) 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 [F93 paid to a member who has not reached the age of 75],
- (c) a refund of excess contributions lump sum, [F94 or]  
[ a transitional 2013/14 lump sum,] F96 ...
- F95 (ca) .....
- F96 (d) .....
- F97 (e) .....
- F98 (f) .....

[ In the case of an uncrystallised funds pension lump sum paid under a registered F99 (1A) pension scheme when the member has not reached the age of 75—

- (a) no liability to income tax arises on 25% of the sum, and
- (b) section 579A applies in relation to the other 75% of the sum as it applies to any pension under a registered pension scheme.

(1B) In the case of an uncrystallised funds pension lump sum paid under a registered pension scheme when the member has reached the age of 75—

- (a) if the member's available lifetime allowance when the sum is paid is equal to or greater than the sum—
  - (i) no liability to income tax arises on 25% of the sum, and
  - (ii) section 579A applies in relation to the other 75% of the sum as it applies to any pension under a registered pension scheme, and
- (b) if the member's available lifetime allowance when the sum is paid is less than the sum—
  - (i) no liability to income tax arises on the part of the sum that is equal to 25% of the member's available lifetime allowance when the sum is paid, and
  - (ii) section 579A applies in relation to the rest of the sum as it applies in relation to any pension under a registered pension scheme.

(1C) For the purposes of subsection (1B), the amount of the member's available lifetime allowance when the sum is paid is what it is for the purposes of Part 4 of FA 2004 (see section 219 of FA 2004), but adjusted in accordance with the rules in paragraphs (a) and (b) of paragraph 12(1A) of Schedule 29 to FA 2004.]

(2) But [F100 subsections (1) to (1B) do] 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.

[F101 (3A) Section 579A applies in relation to a serious ill-health lump sum which is paid under a registered pension scheme to a member who has reached the age of 75 as it applies to any pension under a registered pension scheme.]

[F102 (4) If a lump sum under a registered pension scheme—

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- (a) is listed in section 636AA, and
- (b) is paid to a non-qualifying person (see subsection (8)),

the sum is subject to income tax under section 206 of FA 2004 (charge to tax on scheme administrator in respect of certain lump sum death benefits) and not otherwise (but see section 206(8) of FA 2004).

(4ZA) If a lump sum under a registered pension scheme—

- (a) is listed in section 636AA, and
- (b) is paid to a qualifying person (see subsection (8)),

section 579A applies in relation to the sum as it applies to any pension under a registered pension scheme.]

<sup>F103</sup> [ In the case of a registered pension scheme which is a split scheme for the purposes (4A) of the Registered Pensions Schemes (Splitting of Schemes) Regulations 2006, subsections (3) and (4) shall have effect as if the 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”, <sup>F104</sup> ...
- [<sup>F105</sup>“ uncrystallised funds pension lump sum ”],
- “short service refund lump sum”, [<sup>F106</sup>and
- “ transitional 2013/14 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”,
- [<sup>F107</sup>“drawdown pension fund lump sum death benefit”,]
- [<sup>F108</sup>“ flexi-access drawdown fund lump sum death benefit ”,]
- “pension protection lump sum death benefit”, [<sup>F109</sup>and]
- <sup>F110</sup> ...
- “uncrystallised funds lump sum death benefit”, <sup>F111</sup> ...
- <sup>F111</sup> ...

have the same meaning as in section 168 of FA 2004 (see Part 2 of Schedule 29 to that Act).

[ For the purposes of this section—

- <sup>F112</sup>(8) (a) a person is a “non-qualifying person” in relation to payment of a lump sum if, for the purposes of section 206 of FA 2004, the person is a non-qualifying person in relation to payment of the sum, and
- (b) a person is a “qualifying person” in relation to payment of a lump sum except where the person is a non-qualifying person in relation to payment of the sum.]

*Status: Point in time view as at 22/02/2024.*

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### Textual Amendments

- F92** Words in s. 636A heading substituted (with effect in accordance with Sch. 5 para. 4 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), **Sch. 5 para. 2(2)**
- F93** Words in s. 636A(1)(b) inserted (with effect in accordance with Sch. 16 paras. 85, 102 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 42(2)(a)**
- F94** Word in s. 636A(1)(c) inserted (with effect in accordance with s. 22(12) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), **s. 22(3)(a)**
- F95** S. 636A(1)(ca) inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 5 paras. 5(3)(a)**, 15
- F96** S. 636A(1)(d) and word omitted (with effect in accordance with s. 22(12) of the amending Act) by virtue of [Finance \(No. 2\) Act 2015 \(c. 33\)](#), **s. 22(3)(b)**
- F97** S. 636A(1)(e) and word omitted (with application in accordance with Sch. 2 para. 20 of the amending Act) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 19(3)(a)(ii)**
- F98** S. 636A(1)(f) and word repealed (with effect in accordance with Sch. 19 para. 29(3) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), Sch. 19 para. 28(2)(b), **Sch. 27 Pt. 3(1)**
- F99** S. 636A(1A)-(1C) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 62(2)**
- F100** Words in s. 636A(2) substituted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 62(3)**
- F101** S. 636A(3A) substituted (with effect in accordance with Sch. 5 para. 4 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), **Sch. 5 para. 2(3)**
- F102** Ss. 636A(4)-(4ZA) substituted for s. 636A(4) (with effect in accordance with s. 22(12) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), **s. 22(2)**
- F103** S. 636A(4A) inserted by 2004 c. 12, Sch. 31 para. 11 (as amended (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), **5(1)(2)**)
- F104** Word in s. 636A(6) omitted (19.3.2014) by virtue of [Finance Act 2014 \(c. 26\)](#), **Sch. 5 paras. 5(3)(b)**, 15
- F105** Words in s. 636A(6) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 62(4)**
- F106** Words in s. 636A(6) inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 5 paras. 5(3)(b)**, 15
- F107** Words in s. 636A(7) inserted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 42(5)(a)**
- F108** Words in s. 636A(7) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 31(b)**
- F109** Word in s. 636A(7) inserted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 42(5)(b)**
- F110** Words in s. 636A(7) repealed (with effect in accordance with Sch. 19 para. 29(3) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), Sch. 19 para. 28(3), **Sch. 27 Pt. 3(1)**
- F111** Words in s. 636A(7) 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. 42(5)(c)**
- F112** S. 636A(8) inserted (with effect in accordance with s. 22(12) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), **s. 22(4)**

### Modifications etc. (not altering text)

- C20** S. 636A(1) modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), **6**, 7(1)(2)
- C21** S. 636A(7) modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), **6**, 7(1)(3)
- C22** S. 636A applied (19.3.2014) by S.I. 2009/1171, **reg. 3A(2)(6)** (as inserted by [Finance Act 2014 \(c. 26\)](#), Sch. 5 paras. 6, **15**)
- C23** S. 636A modified (6.4.2023 for the tax year 2023-24 and subsequent tax years) by S.I. 2006/572, **art. 25C(3A)** (as substituted by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), **s. 23(4)(8)**)

*Status: Point in time view as at 22/02/2024.*

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- C24** S. 636A(1)(2) applied (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), 4
- C25** S. 636A(1B) modified (with effect in accordance with [Sch. 1 para. 96\(16\)\(a\)](#) of the amending Act) by [S.I. 2006/207, reg. 18](#) (as inserted by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 96\(15\)](#) (with [Sch. 1 para. 96\(16\)\(b\)](#)))

## Taxable lump sum death benefits

**F113**  
**636AA**

- (1) The following are the lump sums mentioned in section 636A(4) and (4ZA).
- (2) An annuity protection lump sum death benefit, or a pension protection lump sum death benefit, paid in respect of a member of the scheme who had reached the age of 75 at the date of the member's death.
- (3) A drawdown pension fund lump sum death benefit under paragraph 17(1) of Schedule 29 to FA 2004, a flexi-access drawdown fund lump sum death benefit under paragraph 17A(1) of that Schedule, a defined benefits lump sum death benefit or an uncrystallised funds lump sum death benefit—
- (a) paid in respect of a member of the scheme who had reached the age of 75 at the date of the member's death, or
- (b) paid in respect of a member of the scheme who had not reached the age of 75 at the date of the member's death, but not paid before the end of the relevant 2-year period in respect of the member's death.
- (4) A drawdown pension fund lump sum death benefit under paragraph 17(2) of Schedule 29 to FA 2004 or a flexi-access drawdown fund lump sum death benefit under paragraph 17A(2) of that Schedule—
- (a) paid on the death of a dependant of a deceased member of the scheme where the dependant had reached the age of 75 at the date of the dependant's death, or
- (b) paid on the death of a dependant of a deceased member of the scheme where the dependant had not reached the age of 75 at the date of the dependant's death, but not paid before the end of the relevant 2-year period in respect of the dependant's death.
- (5) A flexi-access drawdown fund lump sum death benefit under paragraph 17A(3) or (4) of Schedule 29 to FA 2004—
- (a) paid on the death of a nominee or successor (as the case may be) of a deceased member of the scheme where the nominee or successor (“the beneficiary”) had reached the age of 75 at the date of the beneficiary's death, or
- (b) paid on the death of a nominee or successor (as the case may be) of a deceased member of the scheme where the nominee or successor (“the beneficiary”) had not reached the age of 75 at the date of the beneficiary's death, but not paid before the end of the relevant 2-year period in respect of the beneficiary's death.
- (6) In this section—
- “dependant”, “nominee” and “successor” have the meaning given, respectively, by paragraphs 15, 27A and 27F of Schedule 28 to FA 2004, and
- “relevant 2-year period”, in relation to a death, means the period of 2 years beginning with the earlier of—

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- (a) the day on which the scheme administrator of the scheme mentioned in section 636A(4) or (4ZA) (as the case may be) first knew of the death, and
- (b) the day on which that scheme administrator could first reasonably have been expected to have known of it.

(7) Section 636A(4A) and (7) (interpretation) apply also for the purposes of this section.]

#### Textual Amendments

**F113** S. 636AA inserted (with effect in accordance with s. 22(12) of the amending Act) by Finance (No. 2) Act 2015 (c. 33), s. 22(5)

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

**C26** S. 636AA(3) modified (6.4.2023) by The Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) Regulations 2023 (S.I. 2023/113), regs. 1(2), 31 (with reg. 1(3))

### 636B Trivial commutation and winding-up lump sums

- (1) 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 <sup>F114</sup>has uncrystallised rights <sup>F115</sup>... under any one or more arrangements under the pension scheme, the amount of the taxable pension income—
  - (a) if all his rights under the pension scheme are uncrystallised rights, is 75% of the lump sum, and
  - (b) otherwise, is reduced by 25% of the value of <sup>F116</sup>any uncrystallised rights extinguished by 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).

[ In this section “uncrystallised rights” has the same meaning as in section 212 of FA <sup>F117</sup>(5) 2004; and the value for the purposes of this section of any uncrystallised rights is to be calculated in accordance with that section.]

#### Textual Amendments

**F114** Words in s. 636B(3) substituted (6.4.2006) by Finance Act 2005 (c. 7), Sch. 10 paras. 59, 64(1)

**F115** Words in s. 636B(3) omitted (with effect in accordance with Sch. 5 para. 9 of the amending Act) by virtue of Finance Act 2016 (c. 24), Sch. 5 para. 8(2)(a)



**Status:** Point in time view as at 22/02/2024.

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**F116** Words in s. 636B(3)(b) substituted (with effect in accordance with Sch. 5 para. 9 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [Sch. 5 para. 8\(2\)\(b\)](#)

**F117** S. 636B(5) inserted (with effect in accordance with Sch. 5 para. 9 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [Sch. 5 para. 8\(3\)](#)

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

**C27** S. 636B modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), [37](#)

**C28** S. 636B applied (with modifications) (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), [Sch. 36 para. 35\(4\)](#) (with s. 283(5), [Sch. 36](#))

**C29** S. 636B applied (with modifications) by S.I. 2009/1171, reg. 3A(4)(5) (as inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 5 paras. 6, 15](#))

**C30** S. 636B applied (with modifications) by 2004 c. 12, Sch. 29 para. 11A(5)(6) (as inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 5 paras. 5\(2\), 15](#))

**636C Trivial commutation and winding-up lump sum death benefits**

- (1) This section applies if—
  - (a) a trivial commutation lump sum death benefit, or
  - (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).]

<sup>F118</sup> **CHAPTER 16**

**EXEMPTION FOR CERTAIN LUMP SUMS**

**Textual Amendments**

**F118** Pt. 9 Ch. 16 repealed (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 12](#), [Sch. 42 Pt. 3](#) (with [Sch. 36](#))

**637 Exemption for lump sums provided under certain pension schemes etc.**

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*Status: Point in time view as at 22/02/2024.*

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## CHAPTER 17

### EXEMPTIONS: ANY TAXPAYER

#### 638 Awards for bravery

- (1) No liability to income tax arises on a pension or annuity if it is paid to the holder of an award for bravery in respect of the award.
- (2) In this section “award for bravery” means—
  - the Victoria Cross,
  - the George Cross,
  - the Albert Medal,
  - the Edward Medal,
  - the Military Cross,
  - the Distinguished Flying Cross,
  - the Distinguished Conduct Medal,
  - the Conspicuous Gallantry Medal,
  - the Distinguished Service Medal,
  - the Military Medal,
  - the Distinguished Flying Medal.

#### 639 Pensions in respect of death due to military or war service

- [<sup>F119</sup>(1)] No liability to income tax arises on these pensions and allowances—
- (a) a pension or allowance payable by or on behalf of [<sup>F120</sup>the Ministry of Defence] under so much of [<sup>F121</sup>instrument specified in subsection (2),] as relates to death due to—
    - (i) service in the armed forces of the Crown,
    - (ii) wartime service in the merchant navy, or
    - (iii) war injuries;
  - (b) a pension or allowance—
    - (i) payable by the Ministry of Defence in respect of death due to peacetime service in the armed forces of the Crown before 3rd September 1939, and
    - (ii) payable at rates, and subject to conditions, similar to those of a pension within paragraph (a);
  - (c) a pension or allowance—
    - (i) payable under the law of a country other than the United Kingdom, and
    - (ii) of a character substantially similar to a pension within paragraph (a) or (b).

- [<sup>F122</sup>(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),
  - 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),

*Status: Point in time view as at 22/02/2024.*

*Changes to legislation: Income Tax (Earnings and Pensions) Act 2003, Part 9 is up to date with all changes known to be in force on or before 14 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)*

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).]

#### Textual Amendments

**F119** S. 639 renumbered as s. 639(1) (retrospectively) by [Finance Act 2005 \(c. 7\), s. 19\(3\)\(8\)](#)

**F120** Words in s. 639(a) substituted (retrospectively) by [Finance Act 2005 \(c. 7\), s. 19\(3\)\(a\)\(8\)](#)

**F121** Words in s. 639(a) substituted (retrospectively) by [Finance Act 2005 \(c. 7\), s. 19\(3\)\(b\)\(8\)](#)

**F122** S. 639(2)(3) inserted (retrospectively) by [Finance Act 2005 \(c. 7\), s. 19\(3\)\(8\)](#)

#### 640 Exemption under section 639 where income withheld

- (1) This section applies if—
- (a) an individual is entitled to both of the following—
    - (i) a pension or allowance mentioned in section 639 (“pension A”), and
    - (ii) any other pension or allowance (“pension B”), and
  - (b) the whole or a part of pension A is withheld because of the individual’s entitlement to pension B.
- (2) In such a case, an amount of pension B equal to the withheld amount of pension A is treated for the purposes of section 639 as part of pension A.

#### <sup>F123</sup>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) [<sup>F124</sup>or the Armed Forces Early Departure Payments Scheme Regulations 2014 (S.I. 2014/2328)].]

#### Textual Amendments

**F123** S. 640A inserted (with effect in accordance with s. 19(9) of the amending Act) by [Finance Act 2005 \(c. 7\), s. 19\(5\)](#)

**F124** Words in s. 640A inserted (1.4.2015) by [Finance Act 2015 \(c. 11\), s. 15\(1\)\(2\)](#)

#### 641 Wounds and disability pensions

- (1) No liability to income tax arises on—
- (a) a wounds pension granted to a member of the armed forces of the Crown;

*Status: Point in time view as at 22/02/2024.*

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- (b) retired pay of a disabled officer granted on account of medical unfitness attributable to or aggravated by service in the armed forces of the Crown;
- (c) a disablement or disability pension granted to a member of the armed forces of the Crown, other than a commissioned officer, on account of medical unfitness attributable to or aggravated by service in the armed forces of the Crown;
- (d) a disablement pension granted to a person who has been employed in the nursing services of any of the armed forces of the Crown on account of medical unfitness attributable to or aggravated by service in the armed forces of the Crown;

<sup>F125</sup>(e) .....

- (f) an injury or disablement pension payable under any War Risks Compensation Scheme for the Mercantile marine;
- (g) a pension—
  - (i) granted to a person on account of disablement, and
  - (ii) payable under any scheme made under section 3, 4 or 5 of the Pensions (Navy, Army, Air Force and Mercantile Marine) Act 1939 (c. 83).

- [<sup>F126</sup>(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.]

- (2) But if the Secretary of State certifies that a pension or retired pay of a kind listed in subsection (1) is only partly attributable to disablement or disability, that subsection applies only to the part attributable to disablement or disability.

#### Textual Amendments

**F125** S. 641(1)(e) repealed (21.7.2008) by [Statute Law \(Repeals\) Act 2008 \(c. 12\)](#), [Sch. 1 Pt. 1](#) Group 4

**F126** S. 641(1)(h) inserted (with effect in accordance with s. 19(9) of the amending Act) by [Finance Act 2005 \(c. 7\)](#), [s. 19\(6\)](#)

## 642 Compensation for National-Socialist persecution

No liability to income tax arises on a pension or annuity which is payable under any special provision for victims of National-Socialist persecution which is made by the law of—

- (a) the Federal Republic of Germany or any part of it, or
- (b) Austria.

## [<sup>F127</sup>642A] Netherlands Benefit Act for Victims of Persecution 1940-1945

No liability to income tax arises on a pension, annuity, allowance or other payment provided in accordance with the provisions of the scheme established under the law of the Netherlands and known as *Wet uitkeringen vervolgingsslachtoffers 1940-1945*.]

*Status: Point in time view as at 22/02/2024.*

*Changes to legislation: Income Tax (Earnings and Pensions) Act 2003, Part 9 is up to date with all changes known to be in force on or before 14 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

**F127** S. 642A inserted (with effect in accordance with s. 23(2) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), s. 23(1)

## 643 Malawi, Trinidad and Tobago and Zambia government pensions

- (1) No liability to income tax arises on—
  - (a) a Malawi government pension,
  - (b) a Trinidad and Tobago government pension, or
  - (c) a Zambia government pension,
 if conditions A, B and C are met.
- (2) Condition A is that the pension is paid to—
  - (a) the original pensioner, or
  - (b) the widow or widower [<sup>F128</sup>or surviving civil partner] of the original pensioner.
- (3) Condition B is that the pension is now paid under section 1 of OPA 1973 (whether or not it is paid out of a fund established under a scheme made under that section).
- (4) Condition C is that, at the time the pension is paid, provision is made by double taxation relief arrangements which would exempt the pension from income tax in the United Kingdom if the pension were still paid by the relevant government (rather than under section 1 of OPA 1973).
- (5) Subsection (1) does not apply to any part of a pension which is paid because the Pensions (Increase) Act 1971 (c. 56) applies to it.
- (6) In this section—
 

“double taxation relief arrangements” means arrangements [<sup>F129</sup>which have effect under section 2(1) of TIOPA 2010;]

“Malawi government pension” means a pension payable by the government of Malawi for services rendered—

  - (a) to the government of Malawi, or
  - (b) to the government of the Federation of Rhodesia and Nyasaland,

in the discharge of government functions;

“Trinidad and Tobago government pension” means a pension payable by the government of Trinidad and Tobago for services rendered to the government of Trinidad and Tobago in the discharge of governmental functions;

“Zambia government pension” means a pension payable by the government of Zambia for services rendered—

  - (a) to the government of Zambia,
  - (b) to the government of Northern Rhodesia, or
  - (c) to the government of the Federation of Rhodesia and Nyasaland,

in the discharge of governmental functions.
- (7) For the purposes of this section a person is the “original pensioner” in relation to a pension if—
  - (a) the pension is payable by virtue of the person’s service, and

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- (b) the person retired from that service before 6th April 1973.

#### Textual Amendments

**F128** Words in s. 643(2)(b) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **160**

**F129** Words in s. 643(6) 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. 60** (with Sch. 9 paras. 1-9, 22)

### 644 Pensions payable where employment ceased due to disablement

- (1) No liability to income tax arises on the exempt amount of a disablement pension.
- (2) For the purposes of this section a pension is a “disablement pension” if—
- (a) the pension is payable because a person has ceased to hold an employment or office because of disablement, and
  - (b) that disablement is attributable to—
    - (i) performance of the duties of the employment or office, or
    - (ii) war injuries.

But “disablement pension” does not include any pension to which section [\[<sup>F130</sup>579A\]](#) applies.

- (3) The exempt amount of a disablement pension is determined in accordance with the following steps.

#### *Step 1*

Determine what pension would have been payable if—

- (a) the person had ceased to hold the employment or office because of the disablement mentioned in subsection (2)(a), but
- (b) the disablement had not been attributable to—
  - (i) performance of the duties of the employment or office, or
  - (ii) war injuries.

#### *Step 2*

If no pension would have been payable, the exempt amount is the amount of the disablement pension.

If a pension of a smaller amount than the disablement pension would have been payable, the exempt amount is the amount by which the disablement pension exceeds the smaller amount.

In any other case, the exempt amount is nil.

- (4) For the purposes of this section “office” includes in particular any position which has an existence independent of the person who holds it and may be filled by successive holders.

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#### Textual Amendments

**F130** Word in s. 644(2) substituted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 13](#) (with [Sch. 36](#))

### [<sup>F131</sup>644A] **Health and employment insurance payments**

- (1) No liability to income tax arises in respect of a pension or annuity payment if or to the extent that—
  - (a) were the payment an annual payment falling within Chapter 7 of Part 5 of ITTOIA 2005, it would be exempt from income tax under section 735 of that Act (health and employment insurance payments), and
  - (b) it meets conditions A and B.
- (2) Condition A is that the payments are made—
  - (a) to a person (“the pensioner”) who made payments or contributions in respect of premiums under an insurance policy which another person took out wholly or partly for the pensioner's benefit, or
  - (b) to the pensioner's [<sup>F132</sup>spouse or civil partner] .
- (3) Condition B is that the payments are attributable on a just and reasonable basis to the payments or contributions in respect of premiums.]

#### Textual Amendments

**F131** S. 644A inserted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 1 para. 610](#) (with [Sch. 2](#))

**F132** Words in s. 644A(2)(b) substituted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), [161](#)

### **645 Social security pensions: increases in respect of children**

- (1) No liability to income tax arises on a part of a social security pension which is attributable to an increase in respect of a child.
- (2) In this section “social security pension” means—
  - (a) any pension, benefit or allowance to which section 577 applies, and
  - (b) any pension, benefit or allowance which—
    - (i) is payable under the law of a country or territory outside the United Kingdom, and
    - (ii) is substantially similar in character to a pension, benefit or allowance to which section 577 applies.

### **646 Former miners etc: coal and allowances in lieu of coal**

- (1) No liability to income tax arises on—
  - (a) the provision of coal or smokeless fuel—
    - (i) to a former colliery worker, or

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- (ii) to the widow or widower [<sup>F133</sup>or surviving civil partner] of a former colliery worker, or
  - (b) any allowance paid to such a person in lieu of such provision, if the condition in subsection (2) is met.
- (2) That condition is that the amount of coal or fuel provided or in respect of which the allowance is paid does not substantially exceed the amount reasonably required for personal use.
- (3) That condition is assumed to be met unless the contrary is shown.
- (4) In this section “former colliery worker” means—
  - (a) any person who has ceased to be employed as a coal miner, or
  - (b) any other person who has ceased to be employed at or about a colliery otherwise than in clerical, administrative or technical work.

#### Textual Amendments

**F133** Words in s. 646(1)(a)(ii) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **162**

#### [<sup>F134</sup>646A] Foreign pensions of consular employees

- (1) No liability to income tax arises in respect of foreign pension income of a consular officer or employee in the United Kingdom for a foreign state if—
  - (a) Her Majesty by Order in Council directs that this section applies to the foreign state for the purpose of giving effect to a reciprocal arrangement with that state, and
  - (b) the officer or employee meets conditions A to C.
- (2) Condition A is that the officer or employee is not—
  - (a) a British citizen,
  - (b) a British overseas territories citizen,
  - (c) a British National (Overseas), or
  - (d) a British Overseas citizen.
- (3) Condition B is that the officer or employee is not engaged in any trade, profession, vocation or employment in the United Kingdom, otherwise than as a consular officer or employee of the state in question.
- (4) Condition C is that the officer or employee—
  - (a) is a permanent employee of that state, or
  - (b) was not ordinarily resident in the United Kingdom immediately before becoming a consular officer or employee in the United Kingdom of that state.
- (5) In this section—
  - “consular officer or employee” includes any person employed for the purposes of the official business of a consular officer at—
    - (a) any consulate,
    - (b) any consular establishment, or
    - (c) any other premises used for those purposes,



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“foreign pension income” means—

- (a) income to which section 573 or 629 applies, and
- (b) income arising from a source outside the United Kingdom to which section 609, 610, 611 or 633 applies; and

“reciprocal agreement” has the same meaning as in section 302.

- (6) Section 302(5) to (7) apply to an Order under subsection (1) and the operation of this section as they apply to an Order under section 302(1) and the operation of section 302.]

#### Textual Amendments

**F134** S. 646A inserted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 611](#) (with [Sch. 2](#))

#### [<sup>F135</sup> **646B** Registered schemes: beneficiaries' annuities from unused funds

- (1) The charge to tax under this Part does not apply to a dependants' annuity, or nominees' annuity, payable to a person if—
  - (a) it is paid in respect of a deceased member of a registered pension scheme who had not reached the age of 75 at the date of the member's death,
  - (b) the member died on or after 3 December 2014,
  - (c) either—
    - (i) the annuity was purchased using unused drawdown funds or unused uncrystallised funds, or
    - (ii) the annuity was purchased using sums or assets transferred to an insurance company by another insurance company in consequence of an annuity that was payable to the person by that other company, and was a dependants' annuity or nominees' annuity (as the case may be) purchased as mentioned in sub-paragraph (i) or this sub-paragraph, ceasing to be payable,
  - (d) in a case where the annuity is purchased as mentioned in paragraph (c)(i) and using (whether or not exclusively) unused uncrystallised funds, the person became entitled to it before the end of the period of two years beginning with the earlier of—
    - (i) the day on which the scheme administrator first knew of the member's death, and
    - (ii) the day on which the scheme administrator could first reasonably have been expected to know of the death,
  - (e) in a case where the annuity is purchased as mentioned in paragraph (c)(ii) and the prior annuity purchased as mentioned in paragraph (c)(i) was purchased using (whether or not exclusively) unused uncrystallised funds, the person became entitled to that prior annuity before the end of the period of two years specified in paragraph (d),
  - (f) no payment of the annuity is made before 6 April 2015, and
  - (g) in a case where the annuity is purchased as mentioned in paragraph (c)(ii), no payment is made before 6 April 2015 of—
    - (i) the prior annuity purchased as mentioned in paragraph (c)(i), and

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- (ii) any other annuity purchased as mentioned in paragraph (c)(ii) that is in the chain of annuities beginning with that prior annuity and ending with the annuity.
- (2) The charge to tax under this Part does not apply to a successor's annuity payable to a person if—
- (a) it is paid in respect of a deceased member of a registered pension scheme,
  - (b) it is paid on the subsequent death of a dependant, nominee or successor of the member (“the beneficiary”),
  - (c) the beneficiary had not reached the age of 75 at the date of the beneficiary's death,
  - (d) the beneficiary died on or after 3 December 2014,
  - (e) either—
    - (i) the annuity was purchased using undrawn funds, or
    - (ii) the annuity was purchased using sums or assets transferred to an insurance company by another insurance company in consequence of an annuity that was payable to the person by that other company, and was a successors' annuity purchased as mentioned in sub-paragraph (i) or this sub-paragraph, ceasing to be payable,
  - (f) no payment of the annuity is made before 6 April 2015, and
  - (g) in a case where the annuity is purchased as mentioned in paragraph (e)(ii), no payment is made before 6 April 2015 of—
    - (i) the prior annuity purchased as mentioned in paragraph (e)(i), and
    - (ii) any other annuity purchased as mentioned in paragraph (e)(ii) that is in the chain of annuities beginning with that prior annuity and ending with the annuity.
- (3) The charge to tax under this Part does not apply to a dependants' annuity or nominees' annuity payable to a person if—
- (a) it is paid in respect of a deceased member of a registered pension scheme who had not reached the age of 75 at the date of the member's death,
  - (b) the member died on or after 3 December 2014,
  - (c) the annuity—
    - (i) was purchased together with a lifetime annuity payable to the member, or
    - (ii) was purchased using sums or assets transferred to an insurance company by another insurance company in consequence of an annuity that was payable to the person by that other company, and was a dependants' annuity or nominees' annuity (as the case may be) purchased as mentioned in sub-paragraph (i) or this sub-paragraph, ceasing to be payable,
  - (d) no payment of the annuity is made before 6 April 2015, and
  - (e) in a case where the annuity is purchased as mentioned in paragraph (c)(ii), no payment is made before 6 April 2015 of—
    - (i) the prior annuity purchased as mentioned in paragraph (c)(i), and
    - (ii) any other annuity purchased as mentioned in paragraph (c)(ii) that is in the chain of annuities beginning with that prior annuity and ending with the annuity.

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- (4) The charge to tax under this Part does not apply to payments to a person of a lifetime annuity if—
- (a) the payments are payable to the person under pension rule 2 (see section 165 of FA 2004),
  - (b) either—
    - (i) a member of a registered pension scheme was entitled to be paid the annuity immediately before the member's death, or
    - (ii) the annuity was purchased using sums or assets transferred to an insurance company by another insurance company in consequence of an annuity to which there was entitlement as mentioned in subparagraph (i), or which was purchased as mentioned in this subparagraph, ceasing to be payable,
  - (c) the member had not reached the age of 75 at the date of the member's death,
  - (d) the member died on or after 3 December 2014,
  - (e) any payment of the annuity made before 6 April 2015 is made to the member, and
  - (f) in a case where the annuity is one purchased as mentioned in paragraph (b)
    - (i), any payment made before 6 April 2015—
      - (i) of the prior annuity to which there is entitlement as mentioned in paragraph (b)(i), or
      - (ii) of any other annuity purchased as mentioned in paragraph (b)(ii) that is in the chain of annuities beginning with that prior annuity and ending with the annuity,
- is made to the member.
- (5) Paragraph 27E(3) to (5) of Schedule 28 to FA 2004 (meaning of “unused drawdown funds” and “unused uncrystallised funds”) apply for the purposes of subsection (1).
- (6) Paragraph 27FA(2) of Schedule 28 to FA 2004 (meaning of “undrawn funds”) applies for the purposes of subsection (2)(e).
- (7) For the purposes of subsection (3)(c), a dependants' annuity or nominees' annuity is purchased together with a lifetime annuity if the dependants' annuity or nominees' annuity (as the case may be) is related to the lifetime annuity, and paragraph 3(4A) and (4B) of Schedule 29 to FA 2004 (meaning of “related”) apply for the purposes of this subsection.
- (8) For the purposes of this section, a person becomes entitled to an annuity when the person first acquires an actual (rather than a prospective right) to receive the annuity.

#### Textual Amendments

**F135** Ss. 646B-646F inserted (with effect in accordance with Sch. 4 para. 17(2) of the amending Act) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 17\(1\)](#)

#### 646C Registered schemes: beneficiaries' annuities from drawdown funds

- (1) The charge to tax under this Part does not apply to a dependants' short-term annuity, nominees' short-term annuity, dependants' annuity or nominees' annuity paid to a person if—

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- (a) it is paid in respect of a deceased member of a registered pension scheme who had not reached the age of 75 at the date of the member's death,
  - (b) the member died on or after 3 December 2014, and
  - (c) the annuity was purchased using sums or assets out of the person's—
    - (i) dependant's drawdown pension fund,
    - (ii) dependant's flexi-access drawdown fund, or
    - (iii) nominee's flexi-access drawdown fund,
 in respect of a money purchase arrangement under a registered pension scheme.
- (2) The charge to tax under this Part does not apply to a successors' short-term annuity, or successors' annuity, paid to a person if—
- (a) it is paid in respect of a deceased beneficiary of a deceased member of a registered pension scheme where the beneficiary had not reached the age of 75 at the date of the beneficiary's death,
  - (b) the beneficiary died on or after 3 December 2014, and
  - (c) the annuity was purchased using sums or assets out of the person's successor's flexi-access drawdown fund in respect of a money purchase arrangement under a registered pension scheme,
- and here “beneficiary” means dependant, nominee or successor.
- (3) Subsection (1) is subject to subsections (4) to (6).
- (4) Subsection (1) does not exempt payments on or after 6 April 2015 to a person of a dependants' short-term annuity, or dependants' annuity, payable in respect of a deceased member of a registered pension scheme and purchased using sums or assets out of the person's dependant's drawdown pension fund in respect of a money purchase arrangement under a registered pension scheme (“the drawdown fund”) if before 6 April 2015—
- (a) any payment of the annuity was made,
  - (b) any payment was made of any other dependants' short-term annuity, or dependants' annuity, purchased using sums or assets out of—
    - (i) the drawdown fund, or
    - (ii) any fund represented (to any extent) by the drawdown fund, or
  - (c) any payment of dependants' income withdrawal was made from—
    - (i) the drawdown fund, or
    - (ii) any fund represented (to any extent) by the drawdown fund.
- (5) Subsection (1) does not exempt payments to a person of a dependants' short-term annuity, or dependants' annuity, payable in respect of a deceased member of a registered pension scheme and purchased using sums or assets out of the person's dependant's flexi-access drawdown fund in respect of a money purchase arrangement under a registered pension scheme (“the new fund”) if—
- (a) any of the sums or assets that make up the new fund—
    - (i) became newly-designated dependant funds under paragraph 22A(2) (b) of Schedule 28 to FA 2004 or as a result of the operation of any of paragraphs 22B to 22D of that Schedule, or
    - (ii) arise, or (directly or indirectly) derive, from any such newly-designated funds or from sums or assets that to any extent so arise or derive,

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- (b) before 6 April 2015—
- (i) any payment of dependants' income withdrawal in respect of the deceased member was made to the person from, or
  - (ii) any payment in respect of the deceased member was made to the person of a dependants' short-term annuity, or dependants' annuity, purchased using sums or assets out of,
 

the person's dependant's drawdown pension fund in respect of a money purchase arrangement under a registered pension scheme, and
- (c) any of the sums or assets that made up that fund at the time of the payment make up, or are represented by sums or assets that to any extent make up, the new fund.
- (6) Where relevant unused uncrystallised funds—
- (a) are designated on or after 6 April 2015 as available for the payment of dependants' drawdown pension or nominees' drawdown pension, and
  - (b) as a result of the designation make up (to any extent) a person's dependant's flexi-access drawdown fund or nominee's flexi-access drawdown fund in respect of a money purchase arrangement under a registered pension scheme, but
  - (c) are not so designated before the end of the relevant two-year period,
 

subsection (1) does not exempt payments to the person of a dependants' short-term annuity, nominees' short-term annuity, dependants' annuity or nominees' annuity if any of the sums or assets used to purchase the annuity represent, at the time of the purchase, the whole or any part of those relevant unused uncrystallised funds.
- (7) In this section “the relevant two-year period”, in relation to relevant unused uncrystallised funds held for the purposes of a money purchase arrangement relating to a deceased individual under a registered pension scheme, means the period of two years beginning with the earlier of—
- (a) the day on which the scheme administrator first knew of the individual's death, and
  - (b) the day on which the scheme administrator could first reasonably have been expected to know of it.
- (8) For the purposes of this section, sums or assets held after the death of a member of a registered pension scheme for the purposes of a money purchase arrangement relating to the member under the scheme are “relevant unused uncrystallised funds” if—
- (a) they are unused uncrystallised funds, and
  - (b) the member had not reached the age of 75 at the date of the member's death.
- (9) Paragraph 27E(4) and (5) of Schedule 28 to FA 2004 (meaning of “unused uncrystallised funds”) apply for the purposes of subsection (8)(a).

#### Textual Amendments

**F135** Ss. 646B-646F inserted (with effect in accordance with Sch. 4 para. 17(2) of the amending Act) by Finance Act 2015 (c. 11), [Sch. 4 para. 17\(1\)](#)

### 646D Non-registered schemes: beneficiaries' annuities from unused funds

- (1) The charge to tax under this Part does not apply to an annuity payable to a person if—

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*Status: Point in time view as at 22/02/2024.*

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- (a) it is paid in respect of a deceased member of an overseas pension scheme, or relevant non-UK scheme, who had not reached the age of 75 at the date of the member's death,
  - (b) it would, if the scheme were a registered pension scheme and if “insurance company” in Part 4 of FA 2004 had the meaning given by subsection (8), be a dependants' annuity or nominees' annuity,
  - (c) the member died on or after 3 December 2014,
  - (d) either—
    - (i) the annuity was purchased using sums or assets that would, if the scheme were a registered pension scheme, be unused drawdown funds or unused uncrystallised funds, or
    - (ii) the annuity was purchased using sums or assets transferred to an insurance company by another insurance company in consequence of an annuity—
      - (a) that was payable to the person by that other insurance company,
      - (b) that was purchased as mentioned in sub-paragraph (i) or this sub-paragraph, and
      - (c) that would have been a dependants' annuity or nominees' annuity (as the case may be) if the scheme had been a registered pension scheme,
        - ceasing to be payable,
  - (e) no payment of the annuity is made before 6 April 2015, and
  - (f) in a case where the annuity is purchased as mentioned in paragraph (d)(ii), no payment is made before 6 April 2015 of—
    - (i) the prior annuity purchased as mentioned in paragraph (d)(i), and
    - (ii) any other annuity purchased as mentioned in paragraph (d)(ii) that is in the chain of annuities beginning with that prior annuity and ending with the annuity.
- (2) The charge to tax under this Part does not apply to an annuity payable to a person if—
- (a) it is paid in respect of a deceased member of an overseas pension scheme or relevant non-UK scheme,
  - (b) it is paid on the subsequent death of an individual who would, if the scheme were a registered pension scheme, be a dependant, nominee or successor of the member (“the beneficiary”),
  - (c) it would, if the scheme were a registered pension scheme and if “insurance company” in Part 4 of FA 2004 had the meaning given by subsection (8), be a successors' annuity,
  - (d) the beneficiary had not reached the age of 75 at the date of the beneficiary's death,
  - (e) the beneficiary died on or after 3 December 2014,
  - (f) either—
    - (i) the annuity was purchased using sums or assets that would, if the scheme were a registered pension scheme, be undrawn funds, or
    - (ii) the annuity was purchased using sums or assets transferred to an insurance company by another insurance company in consequence of an annuity—

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- (a) that was payable to the person by that other insurance company,
  - (b) that was purchased as mentioned in sub-paragraph (i) or this sub-paragraph, and
  - (c) that would have been a successors' annuity if the scheme had been a registered pension scheme and if “insurance company” in Part 4 of FA 2004 had the meaning given by subsection (8),  
 ceasing to be payable,
  - (g) no payment of the annuity is made before 6 April 2015, and
  - (h) in a case where the annuity is purchased as mentioned in paragraph (f)(ii), no payment is made before 6 April 2015 of—
    - (i) the prior annuity purchased as mentioned in paragraph (f)(i), and
    - (ii) any other annuity purchased as mentioned in paragraph (f)(ii) that is in the chain of annuities beginning with that prior annuity and ending with the annuity.
- (3) The charge to tax under this Part does not apply to an annuity payable to a person if—
- (a) it is paid in respect of a deceased member of an overseas pension scheme, or relevant non-UK scheme, who had not reached the age of 75 at the date of the member's death,
  - (b) it would, if the scheme were a registered pension scheme and if “insurance company” in Part 4 of FA 2004 had the meaning given by subsection (8), be a dependants' annuity payable to a dependant of the member or a nominees' annuity payable to a nominee of the member,
  - (c) the member died on or after 3 December 2014,
  - (d) the annuity—
    - (i) was purchased together with an annuity payable to the member that would, if the scheme were a registered pension scheme and if “insurance company” in Part 4 of FA 2004 had the meaning given by subsection (8), have been a lifetime annuity, or
    - (ii) was purchased using sums or assets transferred to an insurance company by another insurance company in consequence of an annuity—
      - (a) that was payable to the person by that other insurance company, and
      - (b) that would, if the scheme were a registered pension scheme and if “insurance company” in Part 4 of FA 2004 had the meaning given by subsection (8), have been a dependants' annuity or nominees' annuity (as the case may be) purchased as mentioned in sub-paragraph (i) or this sub-paragraph,  
 ceasing to be payable,
  - (e) no payment of the annuity is made before 6 April 2015, and
  - (f) in a case where the annuity is purchased as mentioned in paragraph (d)(ii), no payment is made before 6 April 2015 of—
    - (i) the prior annuity purchased as mentioned in paragraph (d)(i), and
    - (ii) any other annuity purchased as mentioned in paragraph (d)(ii) that is in the chain of annuities beginning with that prior annuity and ending with the annuity.

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- (4) The charge to tax under this Part does not apply to payments to a person of an annuity if—
- (a) either—
    - (i) a member of an overseas pension scheme, or relevant non-UK scheme, was entitled to be paid the annuity immediately before the member's death, or
    - (ii) the annuity was purchased using sums or assets transferred to an insurance company by another insurance company in consequence of an annuity to which there was entitlement as mentioned in subparagraph (i), or which was purchased as mentioned in this subparagraph, ceasing to be payable,
  - (b) the payments would, if the scheme were a registered pension scheme and if “insurance company” in Part 4 of FA 2004 had the meaning given by subsection (8), be—
    - (i) payments of a lifetime annuity, and
    - (ii) payable to the person under pension rule 2 (see section 165 of FA 2004),
  - (c) the member had not reached the age of 75 at the date of the member's death,
  - (d) the member died on or after 3 December 2014,
  - (e) any payment of the annuity made before 6 April 2015 is made to the member, and
  - (f) in a case where the annuity is one purchased as mentioned in paragraph (a) (ii), any payment made before 6 April 2015—
    - (i) of the prior annuity to which there is entitlement as mentioned in paragraph (a)(i), or
    - (ii) of any other annuity purchased as mentioned in paragraph (a)(ii) that is in the chain of annuities beginning with that prior annuity and ending with the annuity,
 is made to the member.
- (5) Paragraph 27E(3) to (5) of Schedule 28 to FA 2004 (meaning of “unused drawdown funds” and “unused uncrystallised funds”) apply for the purposes of subsection (1).
- (6) Paragraph 27FA(2) of Schedule 28 to FA 2004 (meaning of “undrawn funds”) applies for the purposes of subsection (2)(f).
- (7) For the purposes of subsection (3)(d), an annuity is purchased together with another if they are purchased—
- (a) in the form of a joint life annuity, or
  - (b) separately in circumstances in which the day on which the one is purchased is no earlier than seven days before, and no later than seven days after, the day on which the other is purchased.
- (8) In this section “insurance company” means—
- (a) an insurance company as defined by section 275 of FA 2004, or
  - (b) a person—
    - (i) whose normal business includes the activity of providing annuities,
    - (ii) who carries on that activity in a country or territory outside the United Kingdom, and



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(iii) whose carrying on of that activity in any particular country or territory outside the United Kingdom—

(a) is regulated in that country or territory, or

(b) is lawful under the law of that country or territory because it is regulated in another country or territory,

and for this purpose an activity is regulated in a country or territory if it is regulated by the government of that country or territory or by a body established under the law of that country or territory for the purpose of regulating the carrying-on of the activity.

#### Textual Amendments

**F135** Ss. 646B-646F inserted (with effect in accordance with Sch. 4 para. 17(2) of the amending Act) by Finance Act 2015 (c. 11), **Sch. 4 para. 17(1)**

#### 646E Non-registered schemes: beneficiaries' annuities from drawdown funds

- (1) The charge to tax under this Part does not apply to an annuity paid to a person if—
- (a) it is paid in respect of a deceased member of an overseas pension scheme, or a relevant non-UK scheme, who had not reached the age of 75 at the date of the member's death,
  - (b) the person would, if that scheme were a registered pension scheme, be a dependant or nominee of the member,
  - (c) the annuity was purchased using sums or assets held for the purposes of a money purchase arrangement under an overseas pension scheme or relevant non-UK scheme, and those sums or assets would if that scheme were a registered pension scheme form the whole or part of the person's—
    - (i) dependant's drawdown pension fund,
    - (ii) dependant's flexi-access drawdown fund, or
    - (iii) nominee's flexi-access drawdown fund,
 in respect of the arrangement,
  - (d) the annuity would, if the scheme were a registered pension scheme and if “insurance company” in Part 4 of FA 2004 had the meaning given by section 646D(8), be a dependants' short-term annuity or dependants' annuity or (as the case may be) a nominees' short-term annuity or nominees' annuity, and
  - (e) the member died on or after 3 December 2014.
- (2) The charge to tax under this Part does not apply to an annuity payable to a person if—
- (a) it is paid in respect of a deceased individual (“the beneficiary”) who had not reached the age of 75 at the date of the beneficiary's death,
  - (b) the beneficiary would have been a dependant, nominee or successor of a deceased member of an overseas pension scheme, or relevant non-UK scheme, if that scheme had been a registered pension scheme,
  - (c) the person would, if that scheme were a registered pension scheme, be a successor of the member,
  - (d) the annuity was purchased using sums or assets out of a fund held for the purposes of a money purchase arrangement under an overseas pension scheme or relevant non-UK scheme and would, if that scheme were a registered

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- pension scheme and if “insurance company” in Part 4 of FA 2004 had the meaning given by section 646D(8), be a successors' short-term annuity, or successors' annuity, purchased using sums or assets out of the person's successor's flexi-access drawdown fund in respect of the arrangement, and
- (e) the beneficiary died on or after 3 December 2014.
- (3) Subsection (1) is subject to subsections (4) and (5).
- (4) Subsection (1) does not exempt payments on or after 6 April 2015 to a person of an annuity payable in respect of a deceased member of an overseas pension scheme, or relevant non-UK scheme, if—
- (a) the annuity is purchased using sums or assets held for the purposes of a money purchase arrangement under an overseas pension scheme or relevant non-UK scheme,
  - (b) the annuity would, if that scheme were a registered pension scheme and if “insurance company” in Part 4 of FA 2004 had the meaning given by section 646D(8), be a dependants' short-term annuity or dependants' annuity,
  - (c) the annuity was purchased using sums or assets out of a fund that would, if that scheme were a registered pension scheme, be the person's dependant's drawdown pension fund in respect of the arrangement (“the drawdown fund”), and
  - (d) before 6 April 2015—
    - (i) any payment of the annuity was made,
    - (ii) any payment was made to the person of any other annuity purchased using sums or assets out of the drawdown fund or out of any fund represented (to any extent) by the drawdown fund, or
    - (iii) any payment was made to the person out of the drawdown fund, or out of any fund represented (to any extent) by the drawdown fund, of any pension that would be dependants' income withdrawal if the fund concerned were held for the purposes of a registered pension scheme.
- (5) Subsection (1) does not exempt payments to a person of an annuity payable in respect of a deceased member of an overseas pension scheme, or relevant non-UK scheme, if—
- (a) the annuity was purchased using sums or assets held for the purposes of a money purchase arrangement under an overseas pension scheme or relevant non-UK scheme and would, if that scheme were a registered pension scheme and “insurance company” in Part 4 of FA 2004 had the meaning given by section 646D(8), be a dependants' short-term annuity or dependants' annuity,
  - (b) the annuity was purchased using sums or assets out of a fund (“the new fund”) that would, if that scheme were a registered pension scheme, be the person's dependant's flexi-access drawdown fund in respect of the arrangement,
  - (c) before 6 April 2015—
    - (i) any payment of pension in respect of the deceased member was made to the person from a fund held for the purposes of a money purchase arrangement under an overseas pension scheme, or relevant non-UK scheme, that would be a payment of dependants' income withdrawal from the person's dependant's drawdown pension fund in respect of the arrangement if the scheme were a registered pension scheme, or
    - (ii) any payment in respect of the deceased member was made to the person of an annuity purchased using sums or assets out of a fund held for the purposes of a money purchase arrangement under an

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overseas pension scheme, or relevant non-UK scheme, that would be a payment of a dependants' short-term annuity, or dependants' annuity, purchased using sums or assets out of the person's dependant's drawdown pension fund in respect of the arrangement if the scheme were a registered pension scheme, and

- (d) any of the sums or assets that made up the fund mentioned in paragraph (c)(i) or (ii) make up, or are represented by sums or assets that to any extent make up, the new fund.

#### Textual Amendments

**F135** Ss. 646B-646F inserted (with effect in accordance with Sch. 4 para. 17(2) of the amending Act) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 17\(1\)](#)

#### 646F Interpretation of sections 646B to 646E

In sections 646B to 646E, an expression listed in the first column of the table has the meaning given by the provision of FA 2004 listed against that expression in the second column of the table.

<i>Expression</i>	<i>Provision of FA 2004</i>
dependant	Schedule 28, paragraph 15
dependants' annuity	Schedule 28, paragraph 17
dependant's drawdown pension fund	Schedule 28, paragraph 22
dependant's flexi-access drawdown fund	Schedule 28, paragraph 22A
dependants' income withdrawal	Schedule 28, paragraph 21
dependants' short-term annuity	Schedule 28, paragraph 20
insurance company (in sections 646B and 646C)	section 275
lifetime annuity	Schedule 28, paragraph 3
money purchase arrangement	section 152
nominee	Schedule 28, paragraph 27A
nominees' annuity	Schedule 28, paragraph 27AA
nominee's flexi-access drawdown fund	Schedule 28, paragraph 27E
nominees' short-term annuity	Schedule 28, paragraph 27C
overseas pension scheme	section 150(1) and (7)
relevant non-UK scheme	Schedule 34, paragraph 1(5)
successor	Schedule 28, paragraph 27F
successors' annuity	Schedule 28, paragraph 27FA
successor's flexi-access drawdown fund	Schedule 28, paragraph 27K

*Status: Point in time view as at 22/02/2024.*

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successors' short-term annuity

Schedule 28, paragraph 27H]

#### Textual Amendments

**F135** Ss. 646B-646F inserted (with effect in accordance with Sch. 4 para. 17(2) of the amending Act) by Finance Act 2015 (c. 11), **Sch. 4 para. 17(1)**

## CHAPTER 18

### EXEMPTIONS: NON-UK RESIDENT TAXPAYERS

#### 647 Introduction and meaning of “foreign residence condition” etc.

- (1) The provisions of this Part provide that no liability to income tax arises on certain kinds of pensions if the foreign residence condition is met.
- (2) The foreign residence condition is met in relation to a pension if the pension is payable to a person who is not resident in the United Kingdom.
- (3) For the purposes of the foreign residence condition, a person is taken to be not resident in the United Kingdom only if—
  - (a) a person makes a claim to [<sup>F136</sup>the Commissioners for Her Majesty’s Revenue and Customs] that the person is not resident, and
  - (b) the [<sup>F137</sup>Commissioners][<sup>F138</sup>are] satisfied that the person is not resident.
- (4) In this Chapter “pension” includes—
  - (a) a gratuity or any sum payable on or in respect of death,
  - (b) a return of contributions, and
  - (c) any interest or other addition included in a return of contributions.

#### Textual Amendments

**F136** Words in Act substituted (18.4.2005) by **Commissioners for Revenue and Customs Act 2005 (c. 11), s. 53(1), Sch. 4 para. 102(2)**; S.I. 2005/1126, art. 2(2)(h)

**F137** Word in s. 647 substituted (18.4.2005) by **Commissioners for Revenue and Customs Act 2005 (c. 11), s. 53(1), Sch. 4 para. 102(3)(h)**; S.I. 2005/1126, art. 2(2)(h)

**F138** Word in s. 647(3)(b) substituted (18.4.2005) by **Commissioners for Revenue and Customs Act 2005 (c. 11), s. 53(1), Sch. 4 para. 116**; S.I. 2005/1126, art. 2(2)(h)

#### 648 The Central African Pension Fund

- (1) No liability to income tax arises on a pension which is paid from the Central African Pension Fund if the foreign residence condition is met.
- (2) In this section “the Central African Pension Fund” means the fund established under that name by section 24 of the Federation of Rhodesia and Nyasaland (Dissolution) Order in Council 1963 (S.I. 1963/2085).

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## **649 Commonwealth government pensions**

- (1) No liability to income tax arises on a pension paid out of a fund which is established—
  - (a) in the United Kingdom,
  - (b) by a Commonwealth government,
  - (c) for the sole purpose of providing pensions payable in respect of service under that government,if the foreign residence condition is met.
- (2) In this section “Commonwealth government” means—
  - (a) the government of a territory or country mentioned in subsection (3),
  - (b) the government of any part of a territory or country mentioned in subsection (3), or
  - (c) a government constituted for two or more of the territories or countries mentioned in subsection (3).
- (3) The territories and countries referred to in subsection (2) are—
  - (a) a country mentioned in Schedule 3 to the British Nationality Act 1981 (c. 61) apart from Australia, Canada, New Zealand, India, Sri Lanka and Cyprus,
  - (b) an associated state,
  - (c) a British overseas territory,
  - (d) a protectorate,
  - (e) a protected state, and
  - (f) a United Kingdom trust territory.
- (4) In subsection (2)(c) the reference to a government constituted for two or more of the territories or countries mentioned in subsection (3) includes a reference to any authority established for the purpose of providing or administering services which are common to, or relate to matters of common interest to, two or more of those territories or countries.
- (5) In subsection (3)(f) “United Kingdom trust territory” means a territory administered by the government of the United Kingdom under the trusteeship system of the United Nations.

## **650 Oversea Superannuation Scheme**

- (1) No liability to income tax arises on a pension which is paid under the Oversea Superannuation Scheme (formerly known as the Colonial Superannuation Scheme) if the foreign residence condition is met.
- (2) For the purposes of subsection (1) a pension is paid under the Oversea Superannuation Scheme if—
  - (a) the pension is paid under the Scheme as it has effect (by reason of section 2(4A) of OPA 1973) as a scheme under section 2 of OPA 1973, or
  - (b) the pension is paid under a scheme which—
    - (i) the Secretary of State has made under section 2(1) of OPA 1973, and
    - (ii) corresponds to the Oversea Superannuation Scheme.

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## **651 Overseas Pensions Act 1973**

- (1) No liability to income tax arises on a pension which is paid under section 1 of OPA 1973 if the foreign residence condition is met.
- (2) Subsection (1) applies whether or not the pension is paid out of a fund established under a scheme made under section 1 of OPA 1973.
- (3) But subsection (1) does not apply to any part of a pension paid because the Pensions (Increase) Acts apply to it.
- (4) In this section “the Pensions (Increase) Acts” means—
  - (a) the Pensions (Increase) Act 1971 (c. 56), and
  - (b) any Act passed after that Act for purposes which correspond to the purposes of that Act.

## **652 Overseas Service Act 1958**

- (1) No liability to income tax arises on a pension—
  - (a) which is paid under the authority of the Overseas Service Act 1958 (c. 14), and
  - (b) which the Secretary of State certifies to be attributable to the employment of a person in the public services of an overseas territory,
 if the foreign residence condition is met.
- (2) If the Secretary of State certifies that only part of a pension paid under the authority of the 1958 Act is attributable to the employment of a person in the public services of an overseas territory, subsection (1) applies only to that part of the pension.
- (3) For the purposes of subsections (1) and (2) a pension is paid under the authority of the 1958 Act if condition A or B is met.
- (4) Condition A is that the pension is paid under either of the following—
  - (a) an order made under section 2 of the 1958 Act, or
  - (b) section 4(2) of the 1958 Act,
 as it has effect (by reason of section 2(3) of OPA 1973) as a scheme under section 2 of OPA 1973.
- (5) Condition B is that the pension is paid under a scheme which the Secretary of State—
  - (a) has made under section 2(1) of OPA 1973, and
  - (b) has certified to correspond to—
    - (i) an order made under section 2 of the 1958 Act, or
    - (ii) section 4(2) of the 1958 Act.
- (6) For the purposes of this section, a person is taken to be employed in the public service of an overseas territory at any time when—
  - (a) the person is employed in any capacity under the government of that territory, or under any municipal or other local authority in it,
  - (b) the person is employed in circumstances not falling within paragraph (a), by a body corporate established for any public purpose in that territory by an enactment of a legislature empowered to make laws for that territory, or
  - (c) the person is the holder of a public office in that territory in circumstances not falling within paragraph (a) or (b).

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(7) In subsection (6) references to the government of an overseas territory include references to—

- (a) a government constituted for two or more overseas territories, and
- (b) any authority established for the purpose of providing or administering services which are common to, or relate to matters of common interest to, two or more such territories.

(8) In this section—

“the 1958 Act” means the Overseas Service Act 1958 (c. 14);

“certified” means certified for the purposes of ICTA 1970, ICTA or this Act.

### **653 Overseas Service Pensions Fund**

(1) No liability to income tax arises on a pension which is paid out of the Overseas Service Pensions Fund if the foreign residence condition is met.

(2) In this section “the Overseas Service Pensions Fund” means the fund with that name established under section 7(1) of the Overseas Aid Act 1966 (c. 21).

(3) In this section “pension” includes not only the things mentioned in section 647(4) but also any sum payable in respect of ill-health.

### **654 The Pensions (India, Pakistan and Burma) Act 1955**

(1) No liability to income tax arises on a pension paid under the authority of the Pensions (India, Pakistan and Burma) Act 1955 (c. 22) if the foreign residence condition is met.

(2) A pension is paid under the authority of the 1955 Act if—

- (a) the pension is paid under the 1955 Act as it has effect (by reason of section 2(3) of OPA 1973) as a scheme under section 2 of OPA 1973, or
- (b) the pension is paid under a scheme which the Secretary of State—
  - (i) has made under section 2(1) of OPA 1973, and
  - (ii) has certified to correspond to the provision made under the 1955 Act.

(3) This section does not apply to any part of a pension paid because the Pensions (Increase) Acts apply to it.

(4) In this section—

“the 1955 Act” means the Pensions (India, Pakistan and Burma) Act 1955 (c. 22);

“certified” means certified for the purposes of ICTA 1970, ICTA or this Act;

“the Pensions (Increase) Acts” means—

- (a) the Pensions (Increase) Act 1971 (c. 56), and
- (b) any Act passed after that Act for purposes which correspond to the purposes of that Act.

**Status:**

Point in time view as at 22/02/2024.

**Changes to legislation:**

Income Tax (Earnings and Pensions) Act 2003, Part 9 is up to date with all changes known to be in force on or before 14 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.