



Income Tax (Earnings and Pensions) Act 2003

2003 CHAPTER 1

PART 6

EMPLOYMENT INCOME: INCOME WHICH IS NOT EARNINGS OR SHARE-RELATED

CHAPTER 2

BENEFITS FROM ^[F1]EMPLOYER-FINANCED RETIREMENT BENEFITS]

Benefits treated as employment income

^[F1]395B Exemption or reduction for foreign service

- (1) This section applies if—
- (a) a benefit to which this Chapter applies is provided to or in respect of an employee or former employee in the form of a lump sum,
 - (b) the employer-financed retirement benefits scheme under which the lump sum is provided is established in a country or territory outside the United Kingdom,
 - (c) the lump sum is received by the employee or former employee or a related person,
 - [[] the recipient is not resident in the United Kingdom in the tax year in which
 - ^{F2}(ca) the lump sum is received,]
 - (d) all or part of the lump sum (“the relevant part”) would, but for this section, count as employment income by virtue of section 394(1) or be chargeable to income tax under section 394(2) (account having been taken of section 394(4B) and section 395), and
 - (e) the service in respect of which rights to receive the relevant part of the lump sum accrued (referred to as “reckonable service”) is or includes foreign service.

Changes to legislation: *Income Tax (Earnings and Pensions) Act 2003, Section 395B is up to date with all changes known to be in force on or before 18 June 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) View outstanding changes*

- (2) Section 394(1) or, as the case may be, section 394(2) does not apply to the relevant part of the lump sum if the condition in subsection (3) is met.
- (3) The condition is that—
- (a) three-quarters or more of the period of reckonable service is made up of foreign service,
 - (b) if the period of reckonable service exceeds 10 years, the whole of the last 10 years of that period is made up of foreign service, or
 - (c) if the period of reckonable service exceeds 20 years, one-half or more of that period, including any 10 of the last 20 years, is made up of foreign service.
- (4) If the condition in subsection (3) is not met, the amount that counts as employment income by virtue of section 394(1) or, as the case may be, is chargeable to income tax under section 394(2) is to be reduced by the appropriate proportion.
- (5) The appropriate proportion is a proportion of the relevant part of the lump sum equal to the proportion that the period of foreign service included in the reckonable service bears to the period of reckonable service.
- (6) In determining the service in respect of which rights to receive the relevant part of the lump sum accrued—
- (a) service in a previous employment or with a previous employer is to be taken into account if rights to receive the relevant part of the lump sum also accrued in respect of that service, and
 - (b) it does not matter if the rights originally accrued under a different employer-financed retirement benefits scheme (whether one established in the United Kingdom or in a country or territory outside the United Kingdom).
- (7) “Related person”, in relation to an employee or former employee (E), means any of the following—
- (a) E’s spouse or civil partner or E’s widow or widower or surviving civil partner,
 - (b) a person who is financially dependent on E, whose financial relationship with E is one of mutual dependence or who is dependent on E because of physical or mental impairment (or, if the lump sum is paid after E’s death, anyone who was such a person at the time of E’s death), and
 - (c) E’s personal representatives.
- (8) In this section “foreign service” has the meaning given by section [F³395C].]

Textual Amendments

- F1** S. 395B inserted (with effect in accordance with art. 6 of the amending S.I.) by [The Enactment of Extra-Statutory Concessions Order 2014 \(S.I. 2014/211\)](#), arts. 1, **5(2)**
- F2** S. 395B(1)(ca) inserted (with effect in accordance with Sch. 3 para. 5(4) of the amending Act) by [Finance Act 2017 \(c. 10\)](#), **Sch. 3 para. 5(2)**
- F3** Word in s. 395B(8) substituted (with effect in accordance with Sch. 3 para. 5(4) of the amending Act) by [Finance Act 2017 \(c. 10\)](#), **Sch. 3 para. 5(3)**

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 452(2)(aa) inserted by [2013 c. 29 Sch. 23 para. 11](#)
- s. 707A inserted by [2024 c. 3 s. 36\(4\)](#)