



Income Tax (Earnings and Pensions) Act 2003

2003 CHAPTER 1

PART 9

PENSION INCOME

[^{F1}CHAPTER 15A

LUMP SUMS UNDER REGISTERED PENSION SCHEMES

Tax treatment of authorised lump sum death benefits

[^{F1}637H Defined benefits lump sum death benefits

- (1) Subject to subsections (2) to (6), no liability to income tax arises on a defined benefits lump sum death benefit paid under a registered pension scheme.
- (2) If—
 - (a) a defined benefits lump sum death benefit under a registered pension scheme is paid in respect of a member who, on death, is under 75,
 - (b) the lump sum is paid before the end of the relevant two year period, and
 - (c) the lump sum exceeds the permitted maximum,section 579A (pensions) applies to the excess as it applies to any pension under a registered pension scheme.
- (3) If—
 - (a) a defined benefits lump sum death benefit under a registered pension scheme is paid in respect of a member who, on death, is under 75,
 - (b) the lump sum is not paid before the end of the relevant two year period, and
 - (c) the lump sum is paid to a qualifying person,

Changes to legislation: *Income Tax (Earnings and Pensions) Act 2003, Section 637H is up to date with all changes known to be in force on or before 06 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*

section 579A (pensions) applies to the lump sum as it applies to any pension under a registered pension scheme.

(4) If—

- (a) a defined benefits lump sum death benefit under a registered pension scheme is paid in respect of a member who, on death, is under 75,
- (b) the lump sum is not paid before the end of the relevant two year period, and
- (c) the lump sum is paid to a non-qualifying person,

the lump sum is subject to income tax under section 206 of FA 2004 (special lump sum death benefits charge on scheme administrator) but not otherwise.

(5) If a defined benefits lump sum death benefit under a registered pension scheme is paid—

- (a) in respect of a member who, on death, is 75 or over, and
- (b) to a qualifying person,

section 579A (pensions) applies to the lump sum as it applies to any pension under a registered pension scheme.

(6) If a defined benefits lump sum death benefit under a registered pension scheme is paid—

- (a) in respect of a member who, on death, is 75 or over, and
- (b) to a non-qualifying person,

the lump sum is subject to income tax under section 206 of FA 2004 (special lump sum death benefits charge on scheme administrator) but not otherwise.

(7) In this section—

“non-qualifying person” has the same meaning as in section 206 of FA 2004;

“the permitted maximum”, in relation to a defined benefits lump sum death benefit paid in respect of a member, means so much of the member’s lump sum and death benefit allowance as is available immediately before the lump sum is paid (see section 637S);

“qualifying person” means a person who is not a non-qualifying person;

“the relevant two year period” means the period of two years beginning with the day on which the scheme administrator of the scheme first knew of the member’s death or (if earlier) the day on which the scheme administrator could first reasonably have been expected to have known of it.]

Textual Amendments

F1 Pt. 9 Ch. 15A substituted (6.4.2024 for the tax year 2024-25 and subsequent tax years) by [Finance Act 2024 \(c. 3\)](#), [Sch. 9 paras. 41, 124](#) (with [Sch. 9 paras. 125-132](#))

Changes to legislation:

Income Tax (Earnings and Pensions) Act 2003, Section 637H is up to date with all changes known to be in force on or before 06 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.

[View outstanding changes](#)

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\(4\)](#)