



# Income Tax (Earnings and Pensions) Act 2003

## 2003 CHAPTER 1

### PART 9

#### PENSION INCOME

#### CHAPTER 17

##### EXEMPTIONS: ANY TAXPAYER

#### **[<sup>F1</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—

*Status: Point in time view as at 26/03/2015.*

**Changes to legislation:** *Income Tax (Earnings and Pensions) Act 2003, Section 646B is up to date with all changes known to be in force on or before 14 August 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)*

- (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
    - (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

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- 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.
- (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 sub-paragraph (i), or which was purchased as mentioned in this sub-paragraph, 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)(ii), 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.]

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#### Textual Amendments

- F1** 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)**

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