
Changes to legislation: There are currently no known outstanding effects for the Finance Act 2004, Paragraph 11. (See end of Document for details)

SCHEDULES

SCHEDULE 31

TAXATION OF BENEFITS UNDER REGISTERED PENSION SCHEMES

11 After Chapter 15 insert—

“CHAPTER 15A

LUMP SUMS UNDER REGISTERED PENSION SCHEMES

Exemption for certain lump sums under registered pension schemes

636A) 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,
- (c) a refund of excess contributions lump sum,
- (d) a defined benefits lump sum death benefit,
- (e) an uncrystallised funds lump sum death benefit, or
- (f) a transfer lump sum death benefit.

(2) But subsection (1) does 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.

(4) A lump sum under a registered pension scheme which is—

- (a) a pension protection lump sum death benefit,
- (b) an annuity protection lump sum death benefit, or
- (c) an unsecured pension fund lump sum death benefit,

is subject to income tax in accordance with section 206 of FA 2004 (charge to tax on scheme administrator in respect of such lump sum death benefits) but not otherwise.

[^{F1}(4A) In the case of a registered pension scheme which is a split scheme for the purposes 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).]

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- (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”, and
“short service refund 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”,
“pension protection lump sum death benefit”,
“transfer lump sum death benefit”,
“uncrystallised funds lump sum death benefit”, and
“unsecured pension fund lump sum death benefit”,
have the same meaning as in section 168 of FA 2004 (see Part 2 of Schedule 29 to that Act).

Trivial commutation and winding-up lump sums

- 636(B) 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 has not become entitled to any benefits under the pension scheme, the amount of the taxable pension income is 75% of the amount of 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).

Trivial commutation and winding-up lump sum death benefits

- 636(C) 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.

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- (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).”

Textual Amendments

- F1** Words in Sch. 31 para. 11 inserted (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), **5(1)(2)**
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Commencement Information

- I1** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

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