Finance (No. 2) Act 2023

2023 CHAPTER 30

PART 1

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

Pensions

25 Relief relating to net pay arrangements

In FA 2004, in Part 4 (pension schemes etc), in Chapter 4 (certain tax reliefs and exemptions), after section 193 (relief under net pay arrangements) insert—

"193A Net pay arrangements: relief where no income tax liability

(1) This section applies where—

(a) an individual is entitled to be given relief in accordance with section 193 in respect of the payment of a contribution under a pension scheme,

(b) the individual is entitled to a personal allowance, in accordance with section 35(1) of ITA 2007 (personal allowance), for the tax year in which the payment is made ("the relevant tax year"), and

(c) the amount of the individual's total income for the relevant tax year does not exceed the personal allowance specified in section 35(1) of ITA 2007 for the relevant tax year.

(2) The Commissioners for His Majesty's Revenue and Customs must make arrangements to secure that, so far as reasonably practicable and subject to provision made under subsection (5), they pay to the individual the appropriate amount in relation to the contribution.

(3) The appropriate amount is—

(a) where the individual's total income for the relevant tax year plus the contribution does not exceed the personal allowance specified in

Changes to legislation: *There are currently no known outstanding effects for the Finance (No. 2) Act 2023, Section 25. (See end of Document for details)*

section 35(1) of ITA 2007 for the relevant tax year, an amount equal to income tax at the relevant rate on the whole of the contribution, and

(b) where the individual's total income for the relevant tax year plus the contribution does exceed the personal allowance specified in section 35(1) of ITA 2007 for the relevant tax year, an amount equal to income tax at the relevant rate on an amount calculated in accordance with this formula—

$$C - E$$

where—

C equals the whole of the contribution, and

E equals the amount by which the personal allowance is exceeded by the individual's total income for the relevant tax year plus the contribution.

(4) The arrangements must secure that an amount which the Commissioners are required to pay in relation to a contribution is paid as soon as reasonably practicable after the tax year in which the contribution is paid.

(5) The arrangements must include a procedure for the purposes of allowing an individual to whom an amount would otherwise have to be paid under subsection (2) to decline to receive that amount.

(6) For the purposes of income tax, apart from determining whether this section applies or calculating the appropriate amount in accordance with subsection (3), an amount paid to an individual in accordance with the arrangements is to be treated as if it were earnings within Chapter 1 of Part 3 of ITEPA 2003—

(a) from an employment in the relevant tax year, and

(b) in respect of duties performed in the United Kingdom.

(7) In subsection (3), "the relevant rate" is—

(a) where the individual is a Scottish taxpayer for the relevant tax year, the Scottish basic rate for that year,

(b) where the individual is a Welsh taxpayer for the relevant tax year, the Welsh basic rate for that year, and

(c) in all other cases, the basic rate for that tax year.

(8) In this section, "total income" has the meaning given by section 23 of ITA 2007 (the calculation of income tax liability).

(9) The Treasury may by regulations amend or otherwise modify this section.

(10) Regulations under subsection (9) may make different provision for different purposes."

Changes to legislation:
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