These notes refer to the Income Tax (Earnings and Pensions) Act 2003 (c.1) which received Royal Assent on 6th March 2003

INCOME TAX (EARNINGS AND PENSIONS) ACT 2003

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Example 3

Ne = £5,000; Da = 183; De = 183; Smg = 0

Part 6: Employment income: income which is not earnings or share-related

Chapter 2: Benefits from non-approved schemes

Overview

Section 396: Certain lump sums not taxed by virtue of section 394

1708. This section exempts lump sum benefits if:

- all the profits on the scheme investments are brought into charge to tax, and;
- the lump sum has been provided to one of the persons listed in *subsection (1)(b)*.

1709. The section derives from sections 596A(8) and (15) of ICTA.

1710. A further requirement for the exemption to apply is that the condition in section 395(4) is met; see section 395(2).

1711. In *subsection (1)(a)* the phrase "brought into charge to tax" means brought into charge to United Kingdom tax.

1712. *Subsection (2)* puts the onus on the taxpayer to show that the income and gains of the scheme are brought into charge to tax. It derives from the assumptions in section 596A(15) of ICTA.