

*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 9: Pension Income

Overview

Chapter 15: Voluntary annual payments

Overview

2504. This Chapter identifies voluntary annual payments as pension income.

Section 633: Voluntary annual payments

2505. This section derives from sections 58(2) and 133(1) of ICTA.

2506. Section 58 of ICTA imposes a charge on voluntary pensions and voluntary annual payments paid by or on behalf of a person outside the United Kingdom. Section 133 of ICTA imposes a charge on voluntary pensions and voluntary annual payments paid by or on behalf of a person in the United Kingdom. The charges on voluntary pensions have been rewritten in Chapters 3 and 4. These are the Chapters that deal with United Kingdom and foreign pensions generally. As voluntary annual payments are not pensions it is not appropriate to include them in Chapters that deal with pensions. So the charges on voluntary annual payments have been rewritten in a separate Chapter.

2507. The conditions for the section to apply are very similar to those that apply to foreign voluntary pensions. Those conditions have been rewritten in section 574 and are repeated in this section. The only difference is in subsection (4), which deals specifically with foreign voluntary annual payments. Subsection (4) restricts the charge to payments made to persons resident in the United Kingdom. This restriction is not needed in section 574 because the same effect is achieved by section 573.

Section 634: Taxable pension income: UK voluntary annual payments

2508. This section is concerned with the basis of assessment if the annual payment is paid by or on behalf of a person who is in the United Kingdom. It identifies the amount of taxable pension income, which feeds into the computation of net taxable pension income in section 567.

2509. The section derives from section 41 of FA 1989. That section provides that income taxed by section 133 of ICTA is charged on the amount accruing in the tax year. This

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means that the charge is calculated on the amount accruing from day to day without regard to when the income is actually paid.

Section 635: Taxable pension income: foreign voluntary annual payments

- 2510. This section deals with the basis of assessment if the annual payment is paid by or on behalf of a person who is outside the United Kingdom. It identifies the amount of taxable pension income, which feeds into the computation of net taxable pension income in section 567.
- 2511. It invokes sections 65, 68, 584 and 585 of ICTA. It is new.
- 2512. In ICTA the basis of assessment for a foreign pension is given by the rules of Schedule D Case V. The pension income Part does not repeat those rules but cross-refers the reader to them.

Section 636: Person liable for tax

- 2513. This section identifies the person chargeable for both United Kingdom and foreign source payments.
- 2514. For a payment made by or on behalf of a person who is in the United Kingdom the section is new. ICTA taxes this income under Schedule E. It does not identify the person chargeable. The section identifies the person liable for tax on annual payments within section 633 as the person receiving or entitled to the income. See *Change 135* in Annex 1.
- 2515. For a payment made by or on behalf of a person who is outside the United Kingdom the section is derived from section 59(1) of ICTA.