



Income Tax (Earnings and Pensions) Act 2003

2003 CHAPTER 1

PART 9

PENSION INCOME

CHAPTER 16

EXEMPTION FOR CERTAIN LUMP SUMS

637 Exemption for lump sums provided under certain pension schemes etc.

- (1) No liability to income tax arises on a lump sum provided under—
 - (a) approved personal pension arrangements,
 - (b) a tax-exempt pension scheme, or
 - (c) a retirement annuity contract.
- (2) But subsection (1)(b) applies to a lump sum paid in compensation for loss of office or employment, or for loss or diminution of earnings, only if—
 - (a) the payment is properly regarded as earned by past services, or
 - (b) the loss of office or employment, or the loss or diminution of earnings, is due to ill-health.
- (3) Subsection (1)(b) does not apply to a lump sum to which section 583 (approved retirement benefits schemes: unauthorised payments) or section 623 (return of surplus AVCs) applies.

This includes cases where section 583 applies by virtue of section 593.

- (4) Subsection (1)(c) applies to a lump sum only if it is provided in consequence of a right which meets the conditions in paragraphs (a) and (b) of section 620(3) of ICTA.

Status: This is the original version (as it was originally enacted).

(5) In this section—

“approved personal pension arrangements” has the same meaning as in Chapter 4 of Part 14 of ICTA (see section 630(1) of ICTA);

“earnings” means earnings or amounts treated as earnings which constitute employment income (see section 7(2)(a) or (b));

“office” includes in particular any position which has an existence independent of the person who holds it and may be filled by successive holders;

“retirement annuity contract” has the same meaning as in Chapter 9 of this Part (see section 606).

(6) In this section “tax-exempt pension scheme” means—

(a) a retirement benefits scheme which is—

(i) an approved scheme,

(ii) a relevant statutory scheme, or

(iii) a scheme set up by a government outside the United Kingdom for the benefit, or primarily for the benefit, of its employees, or

(b) any such scheme or fund as was described in section 221(1) and (2) of ICTA 1970 (schemes to which payments could be made without charge to tax under section 220 of that Act).

(7) For the purposes of subsection (6)—

“relevant statutory scheme” has the meaning given in section 611A(1) of ICTA;

“retirement benefits scheme” has the meaning given in section 611 of ICTA;

“approved”, in relation to a retirement benefits scheme, means that the scheme is approved by the Board of Inland Revenue for the purposes of—

(a) Chapter 2 of Part 2 of FA 1970, or

(b) Chapter 1 of Part 14 of ICTA.