



Finance (No. 2) Act 2005

2005 CHAPTER 22

PART 2

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 1

PERSONAL TAXATION

Social security pension lump sums

7 Charge to income tax on lump sum

- (1) A charge to income tax arises where a person becomes entitled to a social security pension lump sum.
- (2) For the purposes of the Tax Acts (including subsection (5)) a social security pension lump sum—
 - (a) is to be treated as income, but
 - (b) is not to be taken into account in determining the total income of any person.
- (3) The person liable to a charge under this section is the person (“P”) entitled to the lump sum, whether or not P is resident, ordinarily resident or domiciled in the United Kingdom.
- (4) The charge is imposed on P for the applicable year of assessment (see subsection (6)).
- (5) A charge under this section is a charge in respect of the amount of the lump sum at the following rate—
 - (a) if P’s total income for the applicable year of assessment is nil, 0%;
 - (b) if P’s total income for that year of assessment is greater than nil but does not exceed the starting rate limit for that year, the starting rate for that year;

Status: This is the original version (as it was originally enacted).

- (c) if P's total income for that year of assessment exceeds the starting rate limit but does not exceed the basic rate limit for that year, the basic rate for that year;
 - (d) if P's total income for that year of assessment exceeds the basic rate limit for that year, the higher rate for that year.
- (6) Section 8 makes provision as to the meaning of “the applicable year of assessment” for the purposes of this section.
- (7) Section 9 contains further definitions and makes provision as to commencement.
- (8) Section 10 contains consequential amendments.