

TAXATION OF PENSIONS ACT 2014

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Schedule 2

Part 4 – Income tax on beneficiaries' income withdrawal

257. [Paragraph 25](#) amends ITEPA 2003.
258. [Paragraph 25\(2\)](#) and (3) amend sections 573 and 574 of ITEPA 2003, so that the tax treatment that applies to income withdrawal paid under a registered pension scheme (section 579CZA of ITEPA 2003) will apply where an equivalent pension is paid from a non-UK scheme as defined in section 574(1)(ba) or (bb) of ITEPA 2003.
259. Paragraph 25(2) inserts new subsections (2A) to (2D) into section 573.
260. New subsection (2A) provides an exemption from the current rules that all payments of foreign pension to a UK resident are included in the recipient's taxable income. It provides that where an amount is paid from a non-UK pension scheme that is the equivalent of dependants' or nominees' income withdrawal in respect of a deceased member who had not reached age 75 at death, and no payments of pension had been made from that fund before 6 April 2015, the payment is not to be included in the recipient's taxable income.
261. New subsection (2B) provides that the exemption from tax will also apply to a pension within section 574(1)(bb) (that is, the equivalent of successors' income withdrawal paid from a non-UK pension scheme) in respect of an individual who had not reached age 75 at death.
262. New subsection (2D) provides that the tax charge in section 574 will nevertheless apply where a member dies before age 75, and designation to drawdown is not made within the two-year period.
263. [Paragraph 25\(3\)](#) inserts new section 574(1)(ba) and (bb) which extend the meaning of foreign pension to include amounts paid that would be nominees' or successors' income withdrawal if paid from a registered pension scheme.
264. [Paragraph 25\(5\)](#) inserts new section 579CZA that provides exemptions from the current rules that all payments of pension from a registered pension scheme are included within the recipient's taxable income. New section 579CZA(1) provides that where there is a payment of income withdrawal from a dependant's or nominee's drawdown fund, then this payment is not included in the recipient's taxable income. However this exemption only applies where the member had not reached age 75 at the date of their death and is subject to new section 579CZA(4) to (6).
265. New section 579CZA(2) provides a similar exemption for payments of income withdrawal from a successor's flexi-access drawdown fund where the previous beneficiary died before reaching age 75.

*These notes refer to the Taxation of Pensions Act 2014
(c.30) which received Royal Assent on 17 December 2014*

- 266. New section 579CZA(4) and (5) provide that subsection (1) doesn't exempt any payments of income withdrawal on or after 6 April 2015 if prior to this date there has been a drawdown payment from the funds concerned.
- 267. New section 579CZA(6) provides that subsection (1) doesn't exempt relevant unused uncrystallised funds designated into the dependant's or nominee's flexi-access drawdown fund outside the two-year period.
- 268. New section 579CZA(7) to (9) provide various definitions for the purposes of new section 579CZA.
- 269. [Paragraph 25\(7\)](#) provides that the amendments made by paragraph 25(2) to (5) only apply to pension paid on or after 6 April 2015.