



# Finance Act 2004

## 2004 CHAPTER 12

### PART 4

#### PENSION SCHEMES ETC

### CHAPTER 3

#### PAYMENTS BY REGISTERED PENSION SCHEMES

##### *Unauthorised member payments*

#### **[<sup>F1</sup>172C Allocation of unallocated employer contributions**

- (1) This section applies if—
- (a) contributions are paid under a registered pension scheme by an employer otherwise than in respect of any individual,
  - (b) in any tax year any of the contributions become held for the purposes of the provision of benefits to or in respect of a member of the pension scheme under any relevant arrangement or arrangements (“the allocated contributions”),
  - (c) the amount of the allocated contributions exceeds the permitted maximum, and
  - (d) the member and the employer, or the member and any person connected with the employer at any time during the tax year, are connected persons at any time during the tax year.
- (2) An arrangement is a relevant arrangement if it is—
- (a) a money purchase arrangement that is not a cash balance arrangement [<sup>F2</sup>or a collective money purchase arrangement], or
  - (b) a hybrid arrangement under which the benefits that may be provided to or in respect of the member are, or include, money purchase benefits [<sup>F3</sup>that are not cash balance benefits or collective money purchase benefits].

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*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2004, Section 172C. (See end of Document for details)*

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- (3) “The permitted maximum” is—
- (a) the maximum amount of relief to which the member is entitled under section 188 (relief for contributions) in respect of relievable pension contributions paid during the tax year (see section 190), less
  - (b) the amount of any contributions paid by employers under any registered pension scheme in respect of the member in the tax year.

- (4) But if the member is also a member of one or more other registered pension schemes, the permitted maximum in relation to each of the registered pension schemes of which he is a member is—

PMN

where—

PM is the amount arrived at under subsection (3), and

N is the number of registered pension schemes of which he is a member.

- (5) The pension scheme is to be treated as making an unauthorised payment to the member (or to the member's personal representatives).
- (6) The amount of the unauthorised payment is the amount by which the amount of the allocated contributions exceeds the permitted maximum.

[<sup>F4</sup>(7) For the purposes of this section whether a person is connected with another person is determined in accordance with section 993 of ITA 2007.]]

#### **Textual Amendments**

- F1** Ss. 172A-172D inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 38](#), 64(1)
- F2** Words in s. 172C(2)(a) inserted (1.8.2022) by [Finance Act 2021 \(c. 26\)](#), [Sch. 5 paras. 5\(2\)\(a\)](#), 25(1); [S.I. 2022/874](#), reg. 2
- F3** Words in s. 172C(2)(b) substituted (1.8.2022) by [Finance Act 2021 \(c. 26\)](#), [Sch. 5 paras. 5\(2\)\(b\)](#), 25(1); [S.I. 2022/874](#), reg. 2
- F4** S. 172C(7) substituted (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 471](#) (with [Sch. 2](#))

**Changes to legislation:**

There are currently no known outstanding effects for the Finance Act 2004, Section 172C.