



Income Tax (Earnings and Pensions) Act 2003

2003 CHAPTER 1

PART 9

PENSION INCOME

[^{F1}CHAPTER 15A

LUMP SUMS UNDER REGISTERED PENSION SCHEMES

Textual Amendments

- F1** Pt. 9 Ch. 15A inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#))

Modifications etc. (not altering text)

- C1** Pt. 9 modified (6.4.2023) by [The Public Service Pension Schemes \(Rectification of Unlawful Discrimination\) \(Tax\) Regulations 2023 \(S.I. 2023/113\)](#), regs. 1(2), [23\(2\)](#), [24\(2\)](#), [26\(2\)](#), [28\(2\)](#) (with [reg. 1\(3\)](#))

636A [^{F2}Exemptions and liabilities] for certain lump sums under registered pension schemes

- (1) No liability to income tax arises on a lump sum paid under a registered pension scheme if the lump sum is—
- (a) a pension commencement lump sum,
 - (b) a serious ill-health lump sum [^{F3}paid to a member who has not reached the age of 75],
 - (c) a refund of excess contributions lump sum, [^{F4}or]
[a transitional 2013/14 lump sum,]^{F6}...

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Earnings and Pensions) Act 2003, CHAPTER 15A. (See end of Document for details)

- ^{F5}(ca)
- ^{F6}(d)
- ^{F7}(e)
- ^{F8}(f)

[In the case of an uncrystallised funds pension lump sum paid under a registered ^{F9}(1A) pension scheme when the member has not reached the age of 75—

- (a) no liability to income tax arises on 25% of the sum, and
- (b) section 579A applies in relation to the other 75% of the sum as it applies to any pension under a registered pension scheme.

(1B) In the case of an uncrystallised funds pension lump sum paid under a registered pension scheme when the member has reached the age of 75—

- (a) if the member's available lifetime allowance when the sum is paid is equal to or greater than the sum—
 - (i) no liability to income tax arises on 25% of the sum, and
 - (ii) section 579A applies in relation to the other 75% of the sum as it applies to any pension under a registered pension scheme, and
- (b) if the member's available lifetime allowance when the sum is paid is less than the sum—
 - (i) no liability to income tax arises on the part of the sum that is equal to 25% of the member's available lifetime allowance when the sum is paid, and
 - (ii) section 579A applies in relation to the rest of the sum as it applies in relation to any pension under a registered pension scheme.

(1C) For the purposes of subsection (1B), the amount of the member's available lifetime allowance when the sum is paid is what it is for the purposes of Part 4 of FA 2004 (see section 219 of FA 2004), but adjusted in accordance with the rules in paragraphs (a) and (b) of paragraph 12(1A) of Schedule 29 to FA 2004.]

(2) But [^{F10}subsections (1) to (1B) do] not limit the operation of sections 214 to 226 of FA 2004 (lifetime allowance charge).

(3) A short service refund lump sum under a registered pension scheme is subject to income tax in accordance with section 205 of FA 2004 (charge to tax on scheme administrator in respect of such a lump sum) but not otherwise.

[^{F11}(3A) Section 579A applies in relation to a serious ill-health lump sum which is paid under a registered pension scheme to a member who has reached the age of 75 as it applies to any pension under a registered pension scheme.]

[^{F12}(4) If a lump sum under a registered pension scheme—

- (a) is listed in section 636AA, and
- (b) is paid to a non-qualifying person (see subsection (8)),

the sum is subject to income tax under section 206 of FA 2004 (charge to tax on scheme administrator in respect of certain lump sum death benefits) and not otherwise (but see section 206(8) of FA 2004).

(4ZA) If a lump sum under a registered pension scheme—

- (a) is listed in section 636AA, and
- (b) is paid to a qualifying person (see subsection (8)),

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section 579A applies in relation to the sum as it applies to any pension under a registered pension scheme.]

[In the case of a registered pension scheme which is a split scheme for the purposes ^{F13}(4A) of the Registered Pensions Schemes (Splitting of Schemes) Regulations 2006, subsections (3) and (4) shall have effect as if the references to the scheme administrator were to the sub-scheme administrator (within the meaning of those Regulations).]

(5) A lifetime allowance excess lump sum is chargeable to income tax in accordance with sections 214 to 226 of FA 2004 (lifetime allowance charge) but not otherwise.

(6) In this section—

“lifetime allowance excess lump sum”,
 “pension commencement lump sum”,
 “refund of excess contributions lump sum”,
 “serious ill-health lump sum”, ^{F14} ...
 [^{F15}“ uncrystallised funds pension lump sum ”],
 “short service refund lump sum”, [^{F16}and
 “ transitional 2013/14 lump sum”]

have the same meaning as in section 166 of FA 2004 (see Part 1 of Schedule 29 to that Act).

(7) In this section—

“annuity protection lump sum death benefit”,
 “defined benefits lump sum death benefit”,
 [^{F17}“drawdown pension fund lump sum death benefit”,]
 [^{F18}“ flexi-access drawdown fund lump sum death benefit ”,]
 “pension protection lump sum death benefit”, [^{F19}and]
^{F20} ...
 “uncrystallised funds lump sum death benefit”, ^{F21} ...
^{F21} ...

have the same meaning as in section 168 of FA 2004 (see Part 2 of Schedule 29 to that Act).

[For the purposes of this section—

- ^{F22}(8) (a) a person is a “non-qualifying person” in relation to payment of a lump sum if, for the purposes of section 206 of FA 2004, the person is a non-qualifying person in relation to payment of the sum, and
- (b) a person is a “qualifying person” in relation to payment of a lump sum except where the person is a non-qualifying person in relation to payment of the sum.]

Textual Amendments

- F2** Words in s. 636A heading substituted (with effect in accordance with Sch. 5 para. 4 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [Sch. 5 para. 2\(2\)](#)
- F3** Words in s. 636A(1)(b) inserted (with effect in accordance with Sch. 16 paras. 85, 102 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 42\(2\)\(a\)](#)
- F4** Word in s. 636A(1)(c) inserted (with effect in accordance with s. 22(12) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 22\(3\)\(a\)](#)
- F5** S. 636A(1)(ca) inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 5 paras. 5\(3\)\(a\)](#), 15

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- F6** S. 636A(1)(d) and word omitted (with effect in accordance with s. 22(12) of the amending Act) by virtue of [Finance \(No. 2\) Act 2015 \(c. 33\), s. 22\(3\)\(b\)](#)
- F7** S. 636A(1)(e) and word omitted (with application in accordance with Sch. 2 para. 20 of the amending Act) by virtue of [Taxation of Pensions Act 2014 \(c. 30\), Sch. 2 para. 19\(3\)\(a\)\(ii\)](#)
- F8** S. 636A(1)(f) and word repealed (with effect in accordance with Sch. 19 para. 29(3) of the amending Act) by [Finance Act 2007 \(c. 11\), Sch. 19 para. 28\(2\)\(b\), Sch. 27 Pt. 3\(1\)](#)
- F9** S. 636A(1A)-(1C) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\), Sch. 1 para. 62\(2\)](#)
- F10** Words in s. 636A(2) substituted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\), Sch. 1 para. 62\(3\)](#)
- F11** S. 636A(3A) substituted (with effect in accordance with Sch. 5 para. 4 of the amending Act) by [Finance Act 2016 \(c. 24\), Sch. 5 para. 2\(3\)](#)
- F12** Ss. 636A(4)-(4ZA) substituted for s. 636A(4) (with effect in accordance with s. 22(12) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\), s. 22\(2\)](#)
- F13** S. 636A(4A) inserted by 2004 c. 12, Sch. 31 para. 11 (as amended (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\), regs. 1\(1\), 5\(1\)\(2\)](#))
- F14** Word in s. 636A(6) omitted (19.3.2014) by virtue of [Finance Act 2014 \(c. 26\), Sch. 5 paras. 5\(3\)\(b\), 15](#)
- F15** Words in s. 636A(6) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\), Sch. 1 para. 62\(4\)](#)
- F16** Words in s. 636A(6) inserted (19.3.2014) by [Finance Act 2014 \(c. 26\), Sch. 5 paras. 5\(3\)\(b\), 15](#)
- F17** Words in s. 636A(7) inserted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\), Sch. 16 para. 42\(5\)\(a\)](#)
- F18** Words in s. 636A(7) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\), Sch. 1 para. 31\(b\)](#)
- F19** Word in s. 636A(7) inserted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\), Sch. 16 para. 42\(5\)\(b\)](#)
- F20** Words in s. 636A(7) repealed (with effect in accordance with Sch. 19 para. 29(3) of the amending Act) by [Finance Act 2007 \(c. 11\), Sch. 19 para. 28\(3\), Sch. 27 Pt. 3\(1\)](#)
- F21** Words in s. 636A(7) omitted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\), Sch. 16 para. 42\(5\)\(c\)](#)
- F22** S. 636A(8) inserted (with effect in accordance with s. 22(12) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\), s. 22\(4\)](#)

Modifications etc. (not altering text)

- C2** S. 636A(1) modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\), arts. 1\(1\), 6, 7\(1\)\(2\)](#)
- C3** S. 636A(7) modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\), arts. 1\(1\), 6, 7\(1\)\(3\)](#)
- C4** S. 636A applied (19.3.2014) by [S.I. 2009/1171, reg. 3A\(2\)\(6\)](#) (as inserted by [Finance Act 2014 \(c. 26\), Sch. 5 paras. 6, 15](#))
- C5** S. 636A modified (6.4.2023 for the tax year 2023-24 and subsequent tax years) by [S.I. 2006/572, art. 25C\(3A\)](#) (as substituted by [Finance \(No. 2\) Act 2023 \(c. 30\), s. 23\(4\)\(8\)](#))
- C6** S. 636A(1)(2) applied (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\), regs. 1\(1\), 4](#)
- C7** S. 636A(1B) modified (with effect in accordance with [Sch. 1 para. 96\(16\)\(a\)](#) of the amending Act) by [S.I. 2006/207, reg. 18](#) (as inserted by [Taxation of Pensions Act 2014 \(c. 30\), Sch. 1 para. 96\(15\)](#) (with [Sch. 1 para. 96\(16\)\(b\)\)](#))

Taxable lump sum death benefits

F23 **636AA**

- (1) The following are the lump sums mentioned in section 636A(4) and (4ZA).

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- (2) An annuity protection lump sum death benefit, or a pension protection lump sum death benefit, paid in respect of a member of the scheme who had reached the age of 75 at the date of the member's death.
- (3) A drawdown pension fund lump sum death benefit under paragraph 17(1) of Schedule 29 to FA 2004, a flexi-access drawdown fund lump sum death benefit under paragraph 17A(1) of that Schedule, a defined benefits lump sum death benefit or an uncrystallised funds lump sum death benefit—
- (a) paid in respect of a member of the scheme who had reached the age of 75 at the date of the member's death, or
 - (b) paid in respect of a member of the scheme who had not reached the age of 75 at the date of the member's death, but not paid before the end of the relevant 2-year period in respect of the member's death.
- (4) A drawdown pension fund lump sum death benefit under paragraph 17(2) of Schedule 29 to FA 2004 or a flexi-access drawdown fund lump sum death benefit under paragraph 17A(2) of that Schedule—
- (a) paid on the death of a dependant of a deceased member of the scheme where the dependant had reached the age of 75 at the date of the dependant's death, or
 - (b) paid on the death of a dependant of a deceased member of the scheme where the dependant had not reached the age of 75 at the date of the dependant's death, but not paid before the end of the relevant 2-year period in respect of the dependant's death.
- (5) A flexi-access drawdown fund lump sum death benefit under paragraph 17A(3) or (4) of Schedule 29 to FA 2004—
- (a) paid on the death of a nominee or successor (as the case may be) of a deceased member of the scheme where the nominee or successor (“the beneficiary”) had reached the age of 75 at the date of the beneficiary's death, or
 - (b) paid on the death of a nominee or successor (as the case may be) of a deceased member of the scheme where the nominee or successor (“the beneficiary”) had not reached the age of 75 at the date of the beneficiary's death, but not paid before the end of the relevant 2-year period in respect of the beneficiary's death.
- (6) In this section—
- “dependant”, “nominee” and “successor” have the meaning given, respectively, by paragraphs 15, 27A and 27F of Schedule 28 to FA 2004, and
- “relevant 2-year period”, in relation to a death, means the period of 2 years beginning with the earlier of—
- (a) the day on which the scheme administrator of the scheme mentioned in section 636A(4) or (4ZA) (as the case may be) first knew of the death, and
 - (b) the day on which that scheme administrator could first reasonably have been expected to have known of it.
- (7) Section 636A(4A) and (7) (interpretation) apply also for the purposes of this section.]

Textual Amendments

F23 S. 636AA inserted (with effect in accordance with s. 22(12) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\), s. 22\(5\)](#)

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Earnings and Pensions) Act 2003, CHAPTER 15A. (See end of Document for details)

Modifications etc. (not altering text)

- C8** S. 636AA(3) modified (6.4.2023) by [The Public Service Pension Schemes \(Rectification of Unlawful Discrimination\) \(Tax\) Regulations 2023 \(S.I. 2023/113\)](#), regs. 1(2), **31** (with reg. 1(3))

636B Trivial commutation and winding-up lump sums

- (1) This section applies if—
- a trivial commutation lump sum, or
 - a winding-up lump sum,
- is paid to a member of a registered pension scheme under the pension scheme.
- (2) The member is to be treated as having taxable pension income for the tax year in which the payment is made equal to the amount of the lump sum.
- (3) But if, immediately before the lump sum is paid, the member [^{F24}has uncrystallised rights ^{F25}... under any one or more arrangements under the pension scheme, the amount of the taxable pension income—
- if all his rights under the pension scheme are uncrystallised rights, is 75% of the lump sum, and
 - otherwise, is reduced by 25% of the value of [^{F26}any uncrystallised rights extinguished by the lump sum].]
- (4) In this section—
- “trivial commutation lump sum”, and
- “winding-up lump sum”,
- have the same meaning as in section 166 of FA 2004 (see Part 1 of Schedule 29 to that Act).

[In this section “uncrystallised rights” has the same meaning as in section 212 of FA ^{F27}(5) 2004; and the value for the purposes of this section of any uncrystallised rights is to be calculated in accordance with that section.]

Textual Amendments

- F24** Words in s. 636B(3) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 59, 64\(1\)](#)
- F25** Words in s. 636B(3) omitted (with effect in accordance with Sch. 5 para. 9 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 5 para. 8\(2\)\(a\)](#)
- F26** Words in s. 636B(3)(b) substituted (with effect in accordance with Sch. 5 para. 9 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [Sch. 5 para. 8\(2\)\(b\)](#)
- F27** S. 636B(5) inserted (with effect in accordance with Sch. 5 para. 9 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [Sch. 5 para. 8\(3\)](#)

Modifications etc. (not altering text)

- C9** S. 636B modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), **37**
- C10** S. 636B applied (with modifications) (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), [Sch. 36 para. 35\(4\)](#) (with s. 283(5), Sch. 36)
- C11** S. 636B applied (with modifications) by S.I. 2009/1171, reg. 3A(4)(5) (as inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 5 paras. 6, 15](#))
- C12** S. 636B applied (with modifications) by 2004 c. 12, Sch. 29 para. 11A(5)(6) (as inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 5 paras. 5\(2\), 15](#))

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Earnings and Pensions) Act 2003, CHAPTER 15A. (See end of Document for details)

636C Trivial commutation and winding-up lump sum death benefits

- (1) This section applies if—
 - (a) a trivial commutation lump sum death benefit, or
 - (b) a winding-up lump sum death benefit,is paid to a person under a registered pension scheme.
- (2) The person is to be treated as having taxable pension income for the tax year in which the payment is made equal to the amount of the lump sum.
- (3) In this section—
 - “trivial commutation lump sum death benefit”, and
 - “winding-up lump sum death benefit”,have the same meaning as in section 168 of FA 2004 (see Part 2 of Schedule 29 to that Act).]

Changes to legislation:

There are currently no known outstanding effects for the Income Tax (Earnings and Pensions) Act 2003, CHAPTER 15A.