



# Income Tax (Earnings and Pensions) Act 2003

## 2003 CHAPTER 1

### PART 9

#### PENSION INCOME

#### CHAPTER 4

##### FOREIGN PENSIONS: GENERAL RULES

#### [<sup>F1</sup>574A “Pension”: relevant lump sums

- (1) A lump sum paid under a pension scheme to a member of the scheme, or to a person in respect of a member of the scheme, is “a relevant lump sum” for the purposes of this Chapter if—
  - (a) the scheme is none of the following—
    - (i) a registered pension scheme,
    - (ii) a relevant non-UK scheme, and
    - (iii) an employer-financed retirement benefits scheme established in the United Kingdom, and
  - (b) the payment of the lump sum is not a relevant step by reason of which Chapter 2 of Part 7A applies.
- (2) A lump sum paid under a relevant non-UK scheme to a member of the scheme, or to a person in respect of a member of the scheme, is “a relevant lump sum” for the purposes of this Chapter if the effect of paragraphs 1 to 7 of Schedule 34 to FA 2004 is that the member payment provisions (see paragraph 1(4) of that Schedule) do not apply in relation to the payment of the lump sum.

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**Changes to legislation:** *Income Tax (Earnings and Pensions) Act 2003, Section 574A is up to date with all changes known to be in force on or before 22 May 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

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[ A lump sum is not “a relevant lump sum” by virtue of subsection (2) if it is within <sup>F2</sup>(2A) paragraph 5ZA(1)(a) or (b) of Schedule 34 to FA 2004 (which specify certain lump sums paid to or in respect of transfer members of relevant non-UK schemes).]

(3) If section 573 applies to a relevant lump sum then, for the purposes of section 575, the full amount of the pension income arising by reason of the payment of the lump sum is the amount of the lump sum, reduced as follows—

*Step 1* Deduct so much of the lump sum as is payable by reason of commutation of rights to receive pension income on which no liability to tax arises as a result of any provision of Chapter 17 of this Part.

*Step 2* Where the lump sum is paid under a pension scheme that was an employer-financed retirement benefits scheme immediately before 6 April 2017, deduct so much of the lump sum left after Step 1 as is deductible in accordance with subsection (6). Where the lump sum is paid otherwise than under such a scheme, deduct so much of the lump sum left after Step 1 as is paid in respect of the value immediately before 6 April 2017 of rights, accrued by then, specifically to receive benefits by way of lump sum payments.

*Step 3* If the lump sum is paid under an overseas pension scheme, deduct so much of the lump sum left after Step 2 as would, if the scheme were a registered pension scheme, not be liable to income tax under this Part. For the purposes of this Step—

- (a) treat amounts not included in taxable pension income because of <sup>F3</sup>section 637G(2)] as being not liable to tax;
- (b) assume that <sup>F4</sup>all of the member’s lump sum allowance is available].

(4) The amount given by subsection (3) is treated for the purposes of section 575 as arising when the lump sum is paid.

(5) The Commissioners may by regulations make provision (including provision amending this section) as to the assumptions to be made for the purposes of Step 3.

(6) These rules apply for the purposes of the first sentence of Step 2—

- (a) “the post-Step 1 amount” means so much of the lump sum as is left after Step 1;
- (b) “the relevant amount” means so much of the post-Step 1 amount as is paid in respect of rights specifically to receive benefits by way of lump sum payments;
- (c) “reckonable service” means service in respect of which the rights to receive the relevant amount accrued (whether or not service in the same employment or with the same employer, and even if the rights originally accrued under a different employer-financed retirement benefits scheme established in or outside the United Kingdom);
- (d) “pre-6 April 2017 reckonable service” means reckonable service that is service before 6 April 2017;
- (e) “pre-6 April 2017 reckonable foreign service” means pre-6 April 2017 reckonable service that is foreign service;
- (f) the deductible amount is the value immediately before 6 April 2017 of the rights then accrued to payment of so much of the relevant amount as is paid in respect of pre-6 April 2017 reckonable service if—
  - (i) at least 75% of pre-6 April 2017 reckonable service is made up of foreign service, or

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- (ii) the period of pre-6 April 2017 reckonable service exceeds 10 years and the whole of the last 10 years of that period is made up of foreign service, or
- (iii) the period of pre-6 April 2017 reckonable service exceeds 20 years and at least 50% of that period, including any 10 of the last 20 years, is made up of foreign service;
- (g) otherwise, the deductible amount is the appropriate fraction of the value immediately before 6 April 2017 of the rights then accrued to payment of so much of the relevant amount as is paid in respect of pre-6 April 2017 reckonable service;
- (h) “the appropriate fraction” is given by—

$$\frac{F}{R}$$

where—

F is the period of pre-6 April 2017 reckonable foreign service, and

R is the period of pre-6 April 2017 reckonable service.

(7) In this section—

“employer-financed retirement benefits scheme” has the same meaning as in Chapter 2 of Part 6 (see section 393A),

“foreign service” has the meaning given by section 395C,

“member”, in relation to a pension scheme, has the meaning given by section 151 of FA 2004,

“overseas pension scheme” has the same meaning as in Part 4 of FA 2004 (see section 150(7) of that Act),

“payment” includes a transfer of assets and any other transfer of money's worth,

“pension scheme” has the meaning given by section 150(1) of FA 2004, and

“relevant non-UK scheme” is to be read in accordance with paragraph 1(5) of Schedule 34 to FA 2004.]

#### Textual Amendments

- F1** S. 574A inserted (with effect in accordance with Sch. 3 para. 10(2) of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 3 para. 10\(1\)](#)
- F2** S. 574A(2A) inserted (for the tax year 2024-25 and subsequent tax years) by [Finance Act 2024 \(c. 3\)](#), [Sch. 9 paras. 61\(2\)](#), 124 (with [Sch. 9 paras. 125-132](#))
- F3** Words in s. 574A(3) substituted (for the tax year 2024-25 and subsequent tax years) by [Finance Act 2024 \(c. 3\)](#), [Sch. 9 paras. 61\(3\)\(a\)](#), 124 (with [Sch. 9 paras. 125-132](#))
- F4** Words in s. 574A(3) substituted (for the tax year 2024-25 and subsequent tax years) by [Finance Act 2024 \(c. 3\)](#), [Sch. 9 paras. 61\(3\)\(b\)](#), 124 (with [Sch. 9 paras. 125-132](#))

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**Changes and effects yet to be applied to the whole Act associated Parts and Chapters:**

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 452(2)(aa) inserted by [2013 c. 29 Sch. 23 para. 11](#)
- s. 707A inserted by [2024 c. 3 s. 36\(4\)](#)